RUNNYMEDE GAZETTE

A Journal of the Democratic Resistance

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EDITORIAL

YET ANOTHER CALL TO ARMS

The monstrous act of Grand Larceny recently unleashed upon Cyprus yet again exposes the utterly threadbare nature of organised opposition and resistance pretty well everywhere. And, judging by reports from New Zealand, Canada, the United States and elsewhere and recorded in this journal, there can be little doubt that this is seen as a 'dry run' to test reaction. In turn, any reaction can only be effective if there is organised resistance, of the willingness and … above all … ability of the people to resist such measures.

What *should* happen is a national payment strike whereby at least a large section of the population withhold all payments on loan, mortgage and credit cards until at least the sequestered monies have been restored. This would both demonstrate solidarity within a country and the irredeemable insolvency of the debt-money system and its institutions.

This edition places the issues of the 'bail-in' sequestrations of people's money by the banktocracy and its governmental stool-pigeons alongside the enforcement of smart meters. This is but one issue selected more or less at random by way of illustration. There is much else besides coming down the track (or already here), from ever growing mass surveillance and the 'bedroom tax' to so-called 'secret justice', water fluoridation, and the abrogation of the principle of innocence across a growing body of regulation (the new electoral register will demand dates of birth and NI numbers. Now, for the sake of the minuscule number of convictions for electoral fraud since World War II, we are all now to be regarded as election fraudsters).

Much of this is ripe for civil non-co-operation. But that cannot be about futile gestures by small numbers of people. To de-legitimise oppressive power and succeed takes very large numbers of people. In turn, that requires large. broadly-based and good organisation.

Nor can much of that be done on the internet. Internet based campaigns require little effort or real commitment from their participants. They flare briefly and brightly across the sky before guttering and falling to earth as bunt out dross. There is no substitute for local face to face contact building mutual trust, confidence and solidarity, and digging ever deeper into that surrounding community.

Last year it looked briefly as if something might result from the Portcullis House meeting and the New Putney Debates. All that seems to have done quiet. Another false dawn?

The need for a democratic resistance network is now desperate and urgent. So far no-one has produced a road map better that the Purton Declaration. Is that to gather dust much longer?

BITCOIN … SAFE HAVEN OR FOOL'S GOLD?

The three items on Bitcoin are selections typifying the growing controversy surrounding this virtual currency. Recent events, especially in Europe and not least in Cyprus, have promoted Bitcoin as an attractive alternative to national currencies.

The ultimate supply of Bitcoins is fixed at 21 million, or so we are told. In consequence, the relative scarcity of Bitcoins will create a market in which ... as with all markets ... the price of Bitcoin will fluctuate. Now no market has ever been created which is invulnerable to speculators. Does the recent roller-coaster in the price of Bitcoin mean that the Big Boys are moving in? Is Bitcoin becoming little more than virtual gold, whose price like that of pretty well everything else is being manipulated by corporate interests?

How often do we see laudable objectives hijacked and used as Trojan Horses by corporate interests? There is no doubt that the more popular Bitcoin becomes the more governments will wish to regulate and the more the banks will wish to find some means of control. Is Bitcoin to become another Trojan Horse for the cashless society and the surveillance state?

It seems that a network of local currencies remains the best option. But is it not time that both the alternative currency movement and the money reform movement made a serious study of Bitcoin?

Frank Taylor

REVEALED – THE CAPITALIST NETWORK THAT RUNS THE WORLD

Andy Coghlan and Debora MacKenzie; New Scientist via Critical Thinking

AS PROTESTS against financial power sweep the world this week, science may have confirmed the protesters' worst fears. An analysis of the relationships between 43,000 transnational corporations has identified a relatively small group of companies, mainly banks, with disproportionate power over the global economy.

The study's assumptions have attracted some criticism, but complex systems analysts contacted by New Scientist say it is a unique effort to untangle control in the global economy. Pushing the analysis further, they say, could help to identify ways of making global capitalism more stable.

The idea that a few bankers control a large chunk of the global economy might not seem like news to New York's Occupy Wall Street movement and protesters elsewhere (see photo). But the study, by a trio of complex systems theorists at the Swiss Federal Institute of Technology in Zurich, is the first to go beyond ideology to empirically identify such a network of power. It combines the mathematics long used to model natural systems with comprehensive corporate data to map ownership among the world's transnational corporations (TNCs).

"Reality is so complex, we must move away from dogma, whether it's conspiracy theories or free-market," says James Glattfelder. "Our analysis is reality-based."

Previous studies have found that a few TNCs own large chunks of the world's economy, but they included only a limited number of companies and omitted indirect ownerships, so could not say how this affected the global economy - whether it made it more or less stable, for instance.

The Zurich team can. From Orbis 2007, a database listing 37 million companies and investors worldwide, they pulled out all 43,060 TNCs and the share ownerships linking them. Then they constructed a model of which companies controlled others through shareholding networks, coupled with each company's operating revenues, to map the structure of economic power.

The work, to be published in PLoS One, revealed a core of 1318 companies with interlocking ownerships. Each of the 1318 had ties to two or more other companies, and on average they were connected to 20. What's more, although they represented 20 per cent of global operating revenues, the 1318 appeared to collectively own through their shares the majority of the world's large blue chip and manufacturing firms - the "real" economy - representing a further 60 per cent of global revenues.

When the team further untangled the web of ownership, it found much of it tracked back to a "super-entity" of 147 even more tightly knit companies - all of their ownership was held by other members of the super-entity - that controlled 40 per cent of the total wealth in the network. "In effect, less than 1 per cent of the companies were able to control 40 per cent of the entire network," says Glattfelder. Most were financial institutions. The top 20 included Barclays Bank, JPMorgan Chase & Co, and The Goldman Sachs Group.

John Driffill of the University of London, a macroeconomics expert, says the value of the analysis is not just to see if a small number of people controls the global economy, but rather its insights into economic stability.

Concentration of power is not good or bad in itself, says the Zurich team, but the core's tight interconnections could be. As the world learned in 2008, such networks are unstable. "If one [company] suffers distress," says Glattfelder, "this propagates."

"It's disconcerting to see how connected things really are," agrees George Sugihara of the Scripps Institution of Oceanography in La Jolla, California, a complex systems expert who has advised Deutsche Bank.

Yaneer Bar-Yam, head of the New England Complex Systems Institute (NECSI), warns that the analysis assumes ownership equates to control, which is not always true. Most company shares are held by fund managers who may or may not control what the companies they part-own actually do. The impact of this on the system's behaviour, he says, requires more analysis.

Crucially, by identifying the architecture of global economic power, the analysis could help make it more stable. By finding the vulnerable aspects of the system, economists can suggest measures to prevent future collapses spreading through the entire economy. Glattfelder says we may need global anti-trust rules, which now exist only at national level, to limit over-connection among TNCs. Sugihara says the analysis suggests one possible solution: firms should be taxed for excess interconnectivity to discourage this risk.

One thing won't chime with some of the protesters' claims: the super-entity is unlikely to be the intentional result of a conspiracy to rule the world. "Such structures are common in nature," says Sugihara.

Newcomers to any network connect preferentially to highly connected members. TNCs buy shares in each other for business reasons, not for world domination. If connectedness clusters, so does wealth, says Dan Braha of NECSI: in similar models, money flows towards the most highly connected members. The Zurich study, says Sugihara, "is strong evidence that simple rules governing TNCs give rise spontaneously to highly connected groups". Or as Braha puts it: "The Occupy Wall Street claim that 1 per cent of people have most of the wealth reflects a logical phase of the self-organising economy."

So, the super-entity may not result from conspiracy. The real question, says the Zurich team, is whether it can exert concerted political power. Driffill feels 147 is too many to sustain collusion. Braha suspects they will compete in the market but act together on common interests. Resisting changes to the network structure may be one such common interest.

When this article was first posted, the comment in the final sentence of the paragraph beginning "Crucially, by identifying the architecture of global economic power…" was misattributed. The top 50 of the 147 superconnected companies;-

1. Barclays plc
2. Capital Group Companies Inc
3. FMR Corporation
4. AXA
5. State Street Corporation
6. JP Morgan Chase & Co
7. Legal & General Group plc
8. Vanguard Group Inc
9. UBS AG
10. Merrill Lynch & Co Inc
11. Wellington Management Co LLP
12. Deutsche Bank AG
13. Franklin Resources Inc
14. Credit Suisse Group
15. Walton Enterprises LLC
16. Bank of New York Mellon Corp
17. Natixis
18. Goldman Sachs Group Inc
19. T Rowe Price Group Inc
20. Legg Mason Inc
21. Morgan Stanley
22. Mitsubishi UFJ Financial Group Inc
23. Northern Trust Corporation
24. Société Générale
25. Bank of America Corporation
26. Lloyds TSB Group plc
27. Invesco plc
28. Allianz SE 29. TIAA
30. Old Mutual Public Limited Company
31. Aviva plc
32. Schroders plc
33. Dodge & Cox
34. Lehman Brothers Holdings Inc*
35. Sun Life Financial Inc
36. Standard Life plc
37. CNCE
38. Nomura Holdings Inc
39. The Depository Trust Company
40. Massachusetts Mutual Life Insurance
41. ING Groep NV
42. Brandes Investment Partners LP
43. Unicredito Italiano SPA
44. Deposit Insurance Corporation of Japan
45. Vereniging Aegon
46. BNP Paribas
47. Affiliated Managers Group Inc
48. Resona Holdings Inc
49. Capital Group International Inc

50. China Petrochemical Group Company

* Lehman still existed in the 2007 dataset used

HOW BUSINESS SHAPES EUROPE; INTRODUCTION TO INTERNATIONAL TRADE AGREEMENTS

Linda Kaucher; Critical Thinking

Linda Kaucher has been researching international trading agreements for over ten years and has put together a comprehensive introduction to the development of these agreements, who benefits and who pays the price in the UK. In Module 4 this year we'll be examining these issues and the implications for counter-parties to these agreements and their people. Linda has already submitted two pieces to Daily Pickings, Secret EU/India Free Trade Agreement and US/EU Free Trade Agreement and the NHS.

The most important point in the Chancellor's 2013 budget speech was: "Our support for European free trade agreements with India, Japan and the US is a priority of our foreign policy" although missed by the UK press, which habitually ignores international trade agreements.

Yet EU trade policy-making rests on the nexus between Brussels and the transnational financial services based here in City of London and the international trade agreement ambitions of these transnational financial corporations shape UK domestic policy-making to fit that wider agenda. Currently a US/EU Free Trade Agreement, and the EU/India Free Trade Agreement should be major concerns for people in the UK and should be resisted.

Much of the UK media and consequently the UK public still believe that trade agreement action is in the World Trade Organisation and that an absence of action on that front means an absence of action. But while corporations indeed continue to utilise the mechanism of the WTO to advance neoliberalism, the EU opted for an additional program of bilateral and regional trade agreements in 2005. Notably, these are much more secretive.

It is via international trade agreements that neoliberalism is being set in stone. When states make commitments within international trade agreements, those commitments become effectively irreversible, beyond national and EU law and irrespective of the nature of future governments. This is the purpose of international trade agreements and the pressure for them to be undertaken comes from corporations.

In the trade agreement process, transnational corporations gain not just access, but rights, including rights to sue states. States' rights to control corporations are corresponding curtailed - and democracy undermined.

The main thrust of the US/EU Free Trade Agreement is 'regulatory harmonisation' between the EU and the US. That means harmonisation not only of existing regulations but also of new regulations as they are being formulated, to prevent future trade barriers.

Thus the Health and Social Care Act and the associated regulations for its implementation, changing the NH massively and opening it to 'competition', have been prepared to 'harmonise' with US regulation. The Act and regulations prepare the NHS for transnational investment in a transformed health system that fits with the corporate-benefit US model. The insurance industry is just one area of financial services set to derive enormous benefit from the changes.

The EU/India trade deal, now seemingly close to completion, will allow Indian firms to supply unlimited numbers of temporary skilled workers into the UK. This secretive deal undermines the job creation claims that George Osborne made in the budget, especially in relation to infrastructure projects. Jobs may be created but this major channel for cheap temporary skilled overseas labour supply will be opened, effectively permanently. Actually, similar 'job creation' claims made by parties from across the political spectrum, including the Greens with their 'Green New Deal', similarly fail to acknowledge these trade agreement labour supply changes and their impact on UK workers, despite their Party access to information(i).

Yet this is not 'trade' as we are encouraged to understand it. Vince Cable, the Secretary of State for Business, Innovation and Skills maintains an emphasis on trade as the UK selling widgets overseas. His predecessor, Peter Mandelson, coming from his Trade Commissioner role, habitually turned any 'trade' focus towards the developing country aspect in accordance with the lobbying of development non-government organisations, although he claimed development benefits from the trade agenda. The implications of EU trade deals for people in the UK have remained hidden throughout.

With the failure of the media and the particular refusal of the corporate-captured BBC Business Unit to report on trade agreements and their effects on people in the UK, a remarkable silence has been maintained on this overarching framework.

Rather than trade-in-goods, the main part of 'trade', especially for the UK and for the EU as a whole, is now trade-in-services(ii). Trade-in-services includes financial services for example banking and insurance, and investment.

'Liberalisation' is the purpose of international trade agreements, that is 'removing barriers to trade'. 'Barriers to trade' can include cash transferred from transnational corporations to governments as e.g. import tariffs. They can also include democratically-decided limits on corporate rights, in the interests of the people of the country. Yet the spin propagated by those who benefit from 'liberalisation' has been so strategic and pervasive that the claims about the benefits of 'trade liberalisation' for the most part continue unexamined and unchallenged.

While liberalisation of trade-in-goods is about at-the-border measures i.e. lowering tariffs and supposedly reducing subsidies on production and exports, the 'liberalisation' of trade-in-services is very different.

When a country liberalises a service category(iii) it opens it to transnational investment. When the country commits the liberalisation of that service to a trade agreement, it is a commitment under international trade law to keep that service category open to transnational investors. This then gives corporations rights while states lose rights to regulate.

When trade commitments on service liberalisations are made, certain rules are inherently invoked. The National Treatment rule means that any transnational company must have treatment at least as good as that afforded to any domestic company, including any subsidies. The Market Access rule dictates that if a service category is committed to a trade agreement, the state then loses the right to limit the number of providers who can come in to operate or what services within that category are offered, for instance within financial services.

Any 'backsliding' by the state on any aspect of this commitment, for instance by limiting these rights (direct expropriation of a corporation's future profits) or by the introduction of social, environmental or labour legislation (indirect expropriation) opens the door to the corporation suing the state. The trade dispute will not be handled within the national jurisdiction but in an international trade dispute jurisdiction of the plaintiffs choosing. In trade dispute settlements, judgements are made only the basis of 'free trade' without regard to e.g. social or environmental factors, thus favouring corporations. States have no corresponding right to sue corporations.

This provision is called 'investor protection' or 'Investor/State Dispute Settlement (ISDS) and the EU is now including ISDS in the trade deals it is negotiating. Notably, ISDS will be included in both the US/EU and the EU/India Free Trade Agreements.

Trade negotiations on behalf of people in the UK are carried out by the EU's Trade Commission. The Lisbon Treaty strengthened the hand of the Trade Commission in this regard, increasing its 'competency' to negotiate on behalf of Member States, including on investment.

Some areas remain as 'mixed competency'. For these parts of trade deals Member State parliaments supposedly have to agree. It is difficult to find out where the blurred lines are drawn and the division of 'competency' is indeed contested between the Commission and Member States. However the Commission is now 'provisionally implementing' trade deals when it has completed negotiations and after the European Parliament has giving its 'assent' but before the agreements have come before Member State parliaments. Therefore this dividing line seems to have lost its relevance. In the process, we have lost our democracy.

While trade deals are formally negotiated by Brussels Trade Commission bureaucrats, the main push for liberalisation in the form of international trade agreements comes from transnational financial services, for which the City of London is both a strong base and a powerful global lobbying mechanism.

In June 2010, the City of London Corporation joined with its lobbying front from the previous decade, International Financial Services London (IFSL), to create TheCityUK(iv). The boards of TheCityUK are chaired by or include the Lord Mayor and key figures in the long term international push for liberalisation e.g. Leon Brittan(v).

When TheCityUK was first set up there was a third partner, the UK government's Trade and Industry unit (UKTI) which straddles the Departments for business [BIS(vi)] and for international development [DFID(vii)], showing financial services and the UK government joined at the hip. This connection was quickly dropped from the website and instead top level representatives from a range of government departments including BIS, the Treasury and DFID, were then listed as 'observers' at board meetings. More recently the public listing of these Departmental representatives has been dropped.

TheCityUK has maintained IFSL's Liberalisation of Trade in Services committee (LOTIS). The existence of this committee was secret until its existence was revealed by the World Development Movement non-government organisation in the early 2000s. In this committee a small group of representatives of the biggest banks and insurance companies give their orders to the two faceless bureaucrats who attend the Trade Commission's fortnightly Trade Policy Committee(viii) meetings in Brussels. Having accessed a meeting of the LOTIS committee, I have witnessed this process and power relationship in action, first hand.

In this way, the UK's position on EU trade policy is set by the big financial institutions without reference to the parliament and without the knowledge of people in the UK. Because trade agreements are intended to be permanent, these effectively permanent commitments will affect future generations too.

Yet there is no comparable opportunity for input into trade policy for civil society. NHS users and UK taxpayers are not only denied information about the underlying rationale for the NHS changes, and the UK workforce denied information on the cheap labour entry commitments being made on its behalf, but also denied the chance to influence policy.

In Brussels the powerful lobbying mechanism for corporate ambitions on trade-in-services is the European Services Forum (ESF). While ESF boasts a high inclusion, numerically, of small and medium enterprises, one ESF member, BusinessEurope, has, in its own membership, some of the biggest transnational corporations in the world. These are not limited to EU-based companies, for instance US-based corporations are members of BusinessEurope, which is in turn a member of the European Services Forum. ESF is closely aligned with TheCityUK, including in personnel crossovers.

In these ways, the influence of London-based transnational financial service on EU trade policy is maximised both via UK input into EU trade policy and directly in relation to the EU institutions - the Trade Commission, the European Parliament and the EU Council.

The EU Council is the institution comprised of Member State governments' representatives. The Council gives the go-ahead for EU trade agreements to be launched. The proceedings of Council meetings are secret. Only the Council's final decisions are made public. Thus the arguments that Member State governments advance to the Council and their voting positions are kept hidden from their populations. In the Council meeting in which the EU/India FTA was given the go-ahead the UK government was represented by Margaret Beckett who was made a Dame in 2013.

The London School of Economics is deeply implicated in providing high status brand 'academic support' for the trade liberalising agenda of the City of London Corporation and the ESF in Brussels, thus in both the UK and EU contexts.

In 2006, London School of Economics staff set up a think tank in Brussels called the European Centre for Political Economy (ECIPE). It provides 'unbiased' academic support for the corporate trade agenda. ECIPE is allowed disproportionate opportunity to influence Commission and European Parliamentary decision-making.

The European Parliament, with its huge work program, relies on a committee system. The International Trade Committee (INTA) is what counts for trade. ECIPE along with the ESF is invited to the front table, informing INTA MEPs on the benefits of trade deals so that the committee then votes positively on trade deals, thus recommending them to the full parliament. No opposing voices are given such weight or access to the committee to provide alternative information.

In London the LSE has a similar role. Media-favourite academics such as Professor Tony Travers use media opportunities to promote the interests of the Corporation from behind the veil of 'academia', and LSE 'research', supporting the City's political agenda, is readily produced.

Howard Davies had an extended stint (2003-11) as Director of LSE until he was hounded out by students following the affair involving Gadhafi's' son, very dubious PhD processes and big donations to the School. But prior to this, as the first head of the Financial Services Authority, he ensured the minimal, light-touch financial services regulation which destroyed the UK economy but not the big banks largely thanks to public money bailouts. In fact even greater corporate-demand international trade agreements have emerged since then. Now Howard Davis is being reinstated from exile in Paris: the Cameron coalition government has put him in charge of the airports enquiry, a position from which he can again prioritise financial service interests.

Further to LSE's trade agenda connection, Peter Sutherland who chairs Goldman Sach's International chairs the School's Council. He was the Director General of the General Agreement on Tariffs and Trade (GATT) when the WTO was set up from the 1990's GATT Uruguay round(ix). He is now also the UN's Special Representative on Migration.

Thus the financial services forces promoting the international trade agenda are extremely powerful, well positioned and well-resourced to achieve neoliberal aims and to embed them permanently in international law, to the extent that we are now on an unerring trajectory towards a corporate-run world.

The WTO continues to be a key background mechanism for this though attention to it has been effectively eradicated while the content and implications of bilateral and regional trade agreements are kept secret.

The main means of achieving these aims are: secrecy, with the complicity and/or ignorance of the media; spin about the benefits of 'trade' devised by well-resourced public relations, again then propagated by the media; and the wrapping of international trade in technical language to deter media, and thus public, interest.

Together these means have been very effective. The Prime Minister(x) and the Chancellor have named the US/EU FTA as a priority, albeit without any explanation of what it will mean. Meanwhile the NHS changes continue to be treated purely as a 'national' issue without reference to the upcoming US trade deal. Similarly the aspect of trade that is about moving workers across borders, allowing corporations to capitalise on the wage differential between low and high wage countries, and its centrality to the EU/India FTA, remain effectively hidden.

Here I have tried to give some information on meanings and mechanisms to expose the importance of George Osborne's ignored statement: "Our support for European free trade agreements with India, Japan and the US is a priority of our foreign policy".

(i) The UK Conservatives, Labour Party, Greens and UKIP have all had MEPs on the European Parliament's International Trade committee (INTA) long-term. See later references to INTA.
(ii) The protection of Intellectual Property is always a significant factor in corporate-interest trade agreements. In the WTO this is the TRIPS agreement. However Intellectual Property is not a focus of this paper.
(iii) Trade-in-service categories as defined by the WTO (but used generally for other trade agreements): Business, Communications, Construction and Engineering, Distribution (includes food) Educational, Environmental (includes water, energy, toxic and nuclear waste), Financial, Health and Social Services, Tourism and Travel Related, Recreational, Cultural and Sporting, Transport, Other.
(iv) See TheCityUK website
(v) Leon Brittan, former Conservative Home Secretary, Vice President of EU Commission, responsible for trade policy in the EU, when Nick Clegg was his intern. Currently Vice Chair of UBS investment bank. From Sep 2010- Feb 2011 Advisor on trade to David Cameron, for the production of the UK White Paper on trade, which recommended an increase in skilled migrant labour entry. Although he temporarily stepped aside from the UBS Vice Chair role for this, he remained on the Advisory Board of TheCityUK financial services lobbying group.
(vi) Department of Business, Innovation and Skills
(vii) Department for International Development
(viii) Formerly called the 133 Committee.
(ix) Peter Sutherland also oversaw the Sutherland Report on the completion of the EEC internal market, and was Vice Chair of the European Round Table of Industrialists when it was set up.
(x) David Cameron's new year statement reported in The Guardian 1.1.13
http://www.guardian.co.uk/politics/2013/jan/01/david-cameron-free-trade-agreement-g8

OUR INTERNET SURVEILLANCE STATE

Bruce Schneier; Chief Security Technology Officer, BT; via John Newell

(This seems to be a substantial library of great use to those who want to keep a low e-profile. There are even some helpful ideas for an e-dummy like me. Perhaps some things are not as necessary as Brice Schnier suggests. It is possible to live quite a healthy life without a mobile phone, plastic money, or social networking media. Adopting a slow, cash-only lifestyle is becoming a necessary pre-requisite for membership of the Democratic Resistance. Bon Voyage! - Ed)

schneier@... http://www.schneier.com

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I'm going to start with three data points.

One: Some of the Chinese military hackers who were implicated in a broad set of attacks against the U.S. government and corporations were identified because they accessed Facebook from the same network infrastructure they used to carry out their attacks.

Two: Hector Monsegur, one of the leaders of the LulzSec hacker movement, was identified and arrested last year by the FBI. Although he practised good computer security and used an anonymous relay service to protect his identity, he slipped up.

And three: Paula Broadwell, who had an affair with CIA director David Petraeus, similarly took extensive precautions to hide her identity. She never logged in to her anonymous e-mail service from her home network. Instead, she used hotel and other public networks when she e-mailed him. The FBI correlated hotel registration data from several different hotels -- and hers was the common name.

The Internet is a surveillance state. Whether we admit it to ourselves or not, and whether we like it or not, we're being tracked all the time. Google tracks us, both on its pages and on other pages it has access to Facebook does the same; it even tracks non-Facebook users. Apple tracks us on our iPhones and iPads. One reporter used a tool called Collusion to track who was tracking him; 105 companies tracked his Internet use during one 36-hour period.

Increasingly, what we do on the Internet is being combined with other data about us. Unmasking Broadwell's identity involved correlating her Internet activity with her hotel stays. Everything we do now involves computers, and computers produce data as a natural by-product. Everything is now being saved and correlated, and many big-data companies make money by building up intimate profiles of our lives from a variety of sources.

Facebook, for example, correlates your online behavior with your purchasing habits offline. And there's more. There's location data from your cell phone, there's a record of your movements from closed-circuit TVs.

This is ubiquitous surveillance: All of us being watched, all the time, and that data being stored forever. This is what a surveillance state looks like, and it's efficient beyond the wildest dreams of George Orwell.

Sure, we can take measures to prevent this. We can limit what we search on Google from our iPhones, and instead use computer web browsers thatallow us to delete cookies. We can use an alias on Facebook. We can turn our cell phones off and spend cash. But increasingly, none of it matters.

There are simply too many ways to be tracked. The Internet, e-mail, cell phones, web browsers, social networking sites, search engines: these have become necessities, and it's fanciful to expect people to simply refuse to use them just because they don't like the spying, especially since the full extent of such spying is deliberately hidden from us and there are few alternatives being marketed by companies that don't spy.

This isn't something the free market can fix. We consumers have no choice in the matter. All the major companies that provide us with Internet services are interested in tracking us. Visit a website and it will almost certainly know who you are; there are lots of ways to be tracked without cookies. Cell phone companies routinely undo the web's privacy protection. One experiment at Carnegie Mellon took real-time videos of students on campus and was able to identify one-third of them by comparing their photos with publicly available tagged Facebook photos.

Maintaining privacy on the Internet is nearly impossible. If you forget even once to enable your protections, or click on the wrong link, or type the wrong thing, you've permanently attached your name to whatever anonymous service you're using. Monsegur slipped up once, and the FBI got him. If the director of the CIA can't maintain his privacy on the Internet, we've got no hope.

In today's world, governments and corporations are working together to keep things that way. Governments are happy to use the data corporations collect -- occasionally demanding that they collect more and save it longer -- to spy on us. And corporations are happy to buy data from governments. Together the powerful spy on the powerless, and they're not going to give up their positions of power, despite what the people want.

Fixing this requires strong government will, but they're just as punch-drunk on data as the corporations. Slap-on-the-wrist fines notwithstanding, no one is agitating for better privacy laws.

So, we're done. Welcome to a world where Google knows exactly what sort of porn you all like, and more about your interests than your spouse does. Welcome to a world where your cell phone company knows exactly where you are all the time. Welcome to the end of private conversations, because increasingly your conversations are conducted by e-mail, text, or social networking sites.

And welcome to a world where all of this, and everything else that you do or is done on a computer, is saved, correlated, studied, passed around from company to company without your knowledge or consent; and where the government accesses it at will without a warrant.

Welcome to an Internet without privacy, and we've ended up here with hardly a fight.

This essay previously appeared on CNN.com, where it got 23,000 Facebook likes and 2,500 tweets -- by far the most widely distributed essay I've ever written.
http://www.cnn.com/2013/03/16/opinion/schneier-internet-surveillance/index.html or http://tinyurl.com/cjdkc7k
How the Chinese hackers were identified: http://security.blogs.cnn.com/2013/02/19/report-chinese-military-engaged-in-extensive-cyber-espionage-campaign/ or http://tinyurl.com/bhlf6xl
http://www.washingtonpost.com/blogs/worldviews/wp/2013/02/19/chinese-hackers-outed-themselves-by-logging-into-their-personal-facebook-accounts/ or http://tinyurl.com/bdgs8vg
How Sabu was identified: http://www.cnn.com/2012/03/06/us/new-york-hacker-arrests/index.html
http://arstechnica.com/tech-policy/2012/03/all-the-latest-on-the-unmasking-of-lulzsec-leader-sabu-arrests/ or http://tinyurl.com/dxjf28e
How Paula Broadwell was identified: http://www.cnn.com/2012/11/10/politics/broadwell-profile/index.html
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BIG BROTHER WATCH BULLETINS

Nick Pickles; Big Brother Watch

Victory for Big Brother Watch as Deputy Prime Minister blocks Snoopers Charter

The Deputy Prime Minister, Nick Clegg, has just announced that the Communications Data Bill will not appear in the Queen's speech and that he is blocking the Communications Data Bill. He has just told LBC "What people dub the snoopers' charter, that's not going to happen – certainly with Lib Dems in government."

This is a tremendous victory for Big Brother Watch and we hope you can continue to support our work.

For more than a year, Big Brother Watch has led the charge against these plans, giving evidence to Parliament, urging our supporters to write to their MPs and being the central force in the media campaign against the so called 'Snoopers Charter'. We highlighted how the Home Office had misrepresented the work of the Child Exploitation and Online Protection Centre to support the bill, demonstrated alternatives were available - and that was before the technology companies tore into the proposals.

When the Joint Committee on the Draft Communications Data Bill published our report, we hosted a press conference that included David Davis MP, Jimmy Wales, Sir Chris Fox and Lord MacDonald. Last week, we published 15 reasons why the Bill was the wrong approach.

Nick Clegg has made the right decision for our economy, for internet security and for our freedom.

Last year Skype gave British police more data than any other government, including the USA. To say that the police can’t get data from the internet without this bill is simply wrong. Where security or child safety is at risk, companies already comply with police requests and there was a real risk this bill would make the situation worse by driving dangerous people underground into encrypted services.

Recording the websites we look at and who we email would not have made us safer, as some of the country’s leading cyber security academics argued this week. It would have made Britain a less attractive place to start a company and put British companies in the position of being paid by the Government to spy on their customers, something that oppressive regimes around the world would have quickly copied.

Rather than spending billions on another Whitehall IT disaster that tramples over our civil liberties and privacy on an unprecedented scale, we should focus on ensuring the police have the skills and training to make use of the huge volume of data that is available. If small, technical changes to existing legislation are required, then they should be properly thought through before being subject to the widespread consultation and comprehensive assessment this plan sorely lacked.

The Bill proposed to record every website visited, email sent and social media communication by every British citizen, and has been heavily criticised by business groups, security academics, civil liberties campaigners around the world. On Monday this week it was revealed leading computer science academics had written to the Prime Minister urging him to drop the bill.

Last year a Big Brother Watch/YouGov poll found almost three-quarters (71%) of Britons say they do not trust that the data about internet use will be kept secure and four in ten (41%) people said they would be less likely to use online services and websites if they knew their activity was being recorded.

We couldn't have won this victory without your support - more than ever before, Big Brother Watch is a leading voice defending civil liberties and protecting privacy and we hope you can continue to support us.

What next for the Communications Data Bill?

More than two months ago, we were among a group of civil society organisations invited to meet the Home Secretary to discuss the revised Communications Data Bill. We have not heard anything since then.

As such, it is impossible to know what is going on. The Deputy Prime Minister made clear any revised Bill must address the concerns of the two Parliamentary committees who heavily criticised it. Given one of their key points was consultation, the justification for including Communications Data legislation in the Queen's speech (again) is rapidly evaporating.

Given the widespread concern about the economic impact, the warning that it won't catch criminals and the fact that, as we revealed last weekend, more than 30 public bodies - and local authorities - have already asked to have access to the data, including the Health and Safety Executive and the Charity Commission. The Prime Minister's own technical advisor suggested it was a scheme more suited to North Korea.

We highlighted fifteen reasons why the Communications Data Bill is the wrong approach - and have repeatedly said that the most important challenge is making full use of the masses of data already available.

Can you support Sgt Danny Nightingale?

Our campaign to support Sergeant Danny Nightingale was covered by the Sun, Daily Telegraph, BBC News and has been incredibly well supported. We are deeply grateful to everyone who has donated so far. With costs potentially running to £150,000 for a prolonged battle, every donation makes a big difference and we urge you to give generously.

Sergeant Danny Nightingale will report to the Military Court Centre in Bulford, Wiltshire for a preparatory hearing. This is as a result of the Service Prosecuting Authority exercising its right to seek a re-trial of Sgt Nightingale.

Like many people, Big Brother Watch has been dismayed at the treatment of Sgt Nightingale. Despite his conviction being quashed at the Court of Appeal, military prosecutors continue to pursue Sgt Nightingale so today, working in conjunction with Danny's family and lawyer, Simon McKay, we have launched this campaign to secure the much-needed funding to pay for Danny's legal team.

In the event of any funds remaining after the payment of Danny's legal bills, they will be donated to the SAS Regimental Association.

With costs potentially running to £150,000 for a prolonged battle, every donation makes a big difference and we urge you to give generously.

Nick Pickles, director of Big Brother Watch, said:"It would be terrible if after years of battling to clear his name Sgt Nightingale's family were left facing crippling legal bills. I am sure the general public will be keen to support Danny after his years of service in the SAS and make sure that he is able to defend himself in court without fear of financial ruin."

Sally Nightingale, Danny's wife said: "This has been a difficult time for the family and it is understandably remains an anxious time for us. Danny is disappointed that he has to leave his beloved SAS and the Army but now accepts the full extent of his brain injury. He intends to plead not guilty at the forthcoming court martial and to continue the fight to clear his name."

Simon McKay, Danny's lawyer, added: "Danny has instructed me he wishes to enter a not guilty plea at the hearing on 1 May. I am instructed to challenge the decision to pursue a re-trial and raise various other issues, including the effect of the brain injury as a defence. There remains a high degree of confidence that eventually he will prevail."

You can now read the moving witness statement of Danny's former SAS commander on the Telegraph website.

Please visit http://dannynightingale.org/ and donate what you can.

FALSE FLAGS, FAKE MEDIA REPORTING, DECEIVING THE PUBLIC: SOCIAL ENGINEERING AND THE 21ST CENTURY "TRUTH EMERGENCY"

James F. Tracy; Global Research; via Critical Thinking

On March 9, 1995 Edward Bernays died at the age of 103. His professional endeavours involved seeking to change popular attitudes and behavior by fundamentally altering social reality.[1] Since he laid the modern groundwork for deceiving the public we are for better or worse living out his legacy today.

Several years ago Project Censored directors Peter Phillips and Mickey Huff identified and explained the "truth emergency" that is among the greatest threats to civil society and human existence. This crisis is manifest in flawed (or non-existent) investigations into 9/11 and other potential false flag events, fraudulent elections, and illegal wars vis-à-vis a corporate-controlled news media that fail to adequately inform the public on such matters. While neglecting or obscuring inquiry into such events and phenomena major media disparage independent and often uncredentialed researchers as "conspiracy theorists" or, more revealingly, "truthers."[2]

The truth emergency continues today, and social engineers like Bernays long understood the significance of undermining the use of reason, for it is only through reason that truth may be determined and evaluated. To be sure, individuals and institutions that have successfully achieved legitimacy in the public mind are recognized as having a monopoly on the capacity to reason and are thus perceived as the foremost bearers of truth and knowledge. Through the endorsement of "experts"—figures perceived as authoritative in their field—the public could easily be persuaded on anything from tobacco use and water fluoridation to military intervention abroad.

Today reason is defined one dimensionally; its relationship to truth largely taken-for-granted. Yet as Leibniz observed, reason marks our humanity, suggesting a portion of the soul capable of a priori recognition of truth. With this in mind the modern individual in the mass has been rendered at least partially soulless through her everyday deferral to the powerfully persuasive notion and representation of expertise. However narrowly focused, under the guise of objectivity the institutionally-affiliated journalist, academic, bureaucrat, and corporate spokesperson have become the portals of reason through which the public is summoned to observe "truth."

These agents of reason are largely bereft of emotion, moderate in temperament, and speak or write in an unsurprisingly formulaic tone. The narratives they relate and play out present tragedy with the expectation of certain closure. And with a century of commercial media programming the mass mind has come to not only accept but anticipate such regulation and control under the regime of institutionally-sanctioned expertise.

The selection and arrangement of experts by corporate media guarantees a continued monopoly on "truth," particularly when presented to an uninquisitive and politically dormant public. Yet this phenomenon extends to ostensibly more trustworthy media outlets such as public broadcasting, where a heightened utilization of credentialed expertise is required to ensure the consensus of those who perceive themselves as more refined than the Average Joe.

This preservation of what passes for reason and truth cannot be sustained without a frequent dialectical struggle with unreason and falsity. Since many individuals have unconsciously placed their genuine reasoning faculties in abeyance and often lack a valid knowledge of politics and history, their unspoken faith in government and the broader political economy to protect and further their interests is groundless. Against this milieu those genuinely capable of utilizing their reasoning capacities in the pursuit of truth are often held up as heretical for their failure to accept what is presented as reality, with the requisite "conspiracy theory" label wielded in Orwellian fashion to denote such abnormal intellectual activity.

Lacking the autonomous use of reason to recognize truth, form often trumps substance. For example, a seemingly obscure news website with unconventional graphics or an emotional news presenter purporting to discuss the day's affairs is typically perceived as untrustworthy and illegitimate by a public conditioned to accept forms of news and information where objectivity and professionalism often camouflage disinformation.

In 2013 the truth emergency is greater than ever, and in the era of seemingly never-ending pseudo-events and Potemkin villages presented by major media as the reality with which we must contend, the application of independent reason in pursuit of truth has all too frequently been replaced with an unthinking obeisance toward the smokescreen of expertise disguising corporate power and control.

Notes
[1] Peter Phillips and Mickey Huff, "Truth Emergency and Media Reform," Daily Censored, March 31, 2009.
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DANGER SMART METERS BEING INSTALLED BY GLOBAL UTILITIES.

Barrie Trower via Jimmy Devlin; North West Tenants

(Barrie Trower's Utube piece is well worth viewing. Smart meters can, effectively continuously monitor your consumption and thus your equipment, habits and movements. They emit harmful radiation. They are costly. Big energy corporations are indulging in extortion practices in order to force people into having these devices installed.)

Smart meters being installed all around the world to implement the smart grid; Electromagnetic radiation is a killer.

https://www.youtube.com/watch?v=xdcmbJKvm24

This clip isn't new , but clearly states the issues with these smart meters we need addressing before the UK roll out gets into full swing. According to the recent consultation document from Consumer Focus (Regulated Industries Unit workplan consultation, every UK home (and small business) will have a smart meter installed by 2019 , and consumers will cough up £11 BILLION for the privilege. Most people think they already have a digital smart meter because of the similarities with certain companies upgraded Electricity meters which have been switched for older versions in the past few years. Illness is a major factor for my opposition (electro magnetic radiation problems and effects etc) , but the increasing worry of surveillance, part of Agenda 21 , is clearly explained in this clip.

REFUSING SMART METERS TO PROTECT YOUR HEALTH AND PRIVACY

Anna Hunt; Activist Post

Smart meters are being deployed by electric companies worldwide, replacing old, yet functioning analog meters, because it gives them a way to interact with the homes of their customers, monitor electricity consumption, and offer “smart home” control and functionality. Oh, and let’s not forget that they also save money. At least this the big sales pitch they are giving us.

By providing detailed information about the energy usage in your home, smart meters can alert you if your new smart refrigerator suddenly becomes an electricity hog and needs to be serviced, if your kids had a party when you were off on a business trip, or if you forgot to turn off your smart stove before you left for work.

Goodbye Privacy – Hello Big Brother

Depending on the functionality of the meter, the smart meter may be able to track how much electricity is used within each room of the home, as well as how much is used by the various new smart appliances in your house. Just as the smart meters can communicate wirelessly with devices such as TV sets or tablets to show you your electrical consumption, they also communicate this information with the power company, which keeps records about the volumes and patterns associated with your daily life.

With this information, whoever has access to the data can get a pretty clear picture of your life: how much time you spend out of the house and at what time of the day; when you watch TV the most; when you are on vacation; if it looks like you’re running a business out of your home; and so forth. The implications for personal surveillance are staggering.

Governments, law enforcement agencies, and even companies will be able to access the data housed by the electric company (which the government is already doing to enforce business licenses). The implications are even more serious considering that such intimate personal data about your daily life can be easily intercepted by hackers as it is broadcast over the radio waves.

Electromagnetic Radiation and Your Health

This short video that shows a resident measuring the radio signals sent from the smart meter using microwave radiation. This man decided to make this video because within 3-months of the installation of a new smart meter, the shrubbery around the smart meter mysteriously died, although it thrived around the old electrical meter without any problems and continues to thrive a certain distance beyond the meter.

Advocates of smart meters will tell you that the wireless radiation emitted by these devices is within “safe levels,” often referencing ‘decades of research,’ much of which has been funded by the companies that make the smart meters. Unfortunately, many are beginning to suffer with insomnia, headaches and other illnesses after the installation of a smart meter.

In May of 2011, the World Health Organization official recognized that wireless radiation such as emitted by “smart meters” is a possible carcinogen. – source

What Can You Do?

Power companies will typically install these devices on your home based on “implied consent” unless you make it clear that you do not grant permission for them to switch out your old meter or add any new device to your home. Some utilities companies, for example PG&E in California, are charging “opt-out” fees of customers refusing the smart meters, in an attempt to dissuade people from opting out as well as to cover “the cost of paying workers to read the analog meters each month.” (source)

The opposition to smart meters is growing everyday as more people learn about the sinister implications of these devices.

The first step to refusing a smart meter is informing your utilities company by certified letter that you do not grant permission for them to install a smart meter on your home due to concerns about health and privacy. Sure, the concept of having more control over your home appliances may sound cool to some, but. Yet are you willing to throw away your privacy and jeopardize your health for just some cool smart home features that you’ve been able to live without until now?

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Anna Hunt is a staff writer for WakingTimes.com and an entrepreneur with over a decade of experience in research and editorial writing. She and her husband run a preparedness e-store outlet at www.offgridoutpost.com, offering GMO-free storable food and emergency kits. Anna is also a certified Hatha yoga instructor. She enjoys raising her children and being a voice for optimal human health and wellness.

(The following two items, via Victims Unite! Provide an informative postscript to the recent item on ATOS. The War on Dissent is spreading to every corner – Ed)

ATOS KILLS: PROTEST HIGHLIGHTS CUTS AND CORPORATE SPONSORSHIP

Marienna Pope-Weidemann; Counterfire via Victims Unite

The climactic protest against Atos' sponsorship of the Paralympics shines a harsh light on a corporate sponsor cashing in on benefit cuts for the sick and disabled

Opposition to Atos’ sponsorship of the Paralympics reached a climax outside their HQ in London. Hundreds of protesters from across the country gathered outside the building for the creative demonstration called by UK Uncut and Disabled People Against the Cuts, with support from Coalition of Resistance and the Counter-Olympics Network.

Later in the day, a breakaway group staged a surprise direct action against the Department of Work and Pensions. The protesters, two of whom were in wheelchair users, blocked the office doors, resulting in one arrest for ‘breach of the peace’.

Atos is a French multinational corporation specialising in information technology and operating on 48 countries worldwide. It has no special expertise in dealing with the needs of disabled people, and also operates in retail, manufacturing and finance. Apart from the killing made from its Olympic sponsorship, Atos is also being paid £100 million per year by the Coalition government to re-assess benefit claims, facilitating the cuts by forcing the sick and disabled back to work. All this for a benefits system with a 0.3% fraud rate.

1000 deaths

Over 1000 people in Britain have already died after losing benefit payments and being deemed ‘fit to work’ by Atos. Suicides are also rising sharply. The most recent Atos casualty, Celia Burns, was a cancer sufferer appealing her fit to work status. She died just a few days after a lengthy appeal saw her benefits reinstated.

Meanwhile, workers who’ve given a lifetime of service are forced to work longer for ever-shrinking pensions. Moreover growing numbers of the young unemployed who are fit for work struggle to make ends meet on unemployment benefits or are forced to work for free. Such is the reality of austerity which, while strangling the economy, does bring the paradoxes and interconnected injustices of the capitalist system into sharp relief.

As with the cuts to other public services, the government and the mainstream media have worked hard to isolate the DLA debate from its political context: bailouts, tax-dodging corporations and a still deregulated economy. Not to mention a complete failure to address any of the root causes of the deficit and recession, with sub-prime mortgages and pay-day loan companies now settling in the UK.

The real scroungers

The Minister for Work and Pensions himself, Chris Grayling, was implicated in the MP expenses scandal to the tune of £10,000. Unabashed, he maintains his tough love propaganda, which the government applies only to the most vulnerable and least accountable in society.

To quote the very public shaming of Grayling on Newsnight this week by comedian Francesca Martinez: “Where’s the tough love for the banks, where’s the tough love for the corporations who still pay little or no tax, and where’s the tough love for our own government? Half of our MPs were implicated in the expenses scandal. I think we need to ask ourselves who the scroungers in society really are.”

"It is high time for me to put an end to your sitting in this place,which you have dishonoured by your contempt of all virtue, and defiled by your practice of every vice. Ye are a factious crew, and enemies to all good government. Ye are a pack of mercenary wretches, and would like Esau sell your country for a mess of pottage, and like Judas betray your God for a few pieces of money. Is there a single virtue now remaining amongst you? Is there one vice you do not possess? Ye have no more religion than my horse. Gold is your God. Which of you have not bartered your conscience for bribes? Is there a man amongst you that has the least care for the good of the Commonwealth? Ye are grown intolerably odious to the whole nation. You were deputed here by the people to get grievances redressed, are yourselves become the greatest grievance."

Oliver Cromwell, via Euro Realist

BENEFITS TEST COMPANY THREATENS CRITICS WITH LIBEL ACTION

X Index; via Victims Unite

Users of an online carers forum are devastated after their site is closed following threats of legal action. Emily Butselaar reports on a worrying instance of internet censorship

A private firm, Atos Healthcare, in receipt of £100m of public money to test whether disability benefit claimants are fit for work has used legal threats to silence online criticism from disability rights campaigners.

After threats of legal action, web host myfreeforum.org has pulled the plug on the website CarerWatch, a closed forum. The site’s users have still not been informed of the nature of the complaint.

Atos Healthcare, a division of IT services firm Atos, is sub-contracted by the Department for Work and Pensions (DWP) to assess whether sick and disabled people are entitled to disability benefit (now called employment support allowance). The assessments are a key part of the government’s welfare-to-work policy.

The company has had a difficult summer. The chair of the Work and Pensions select committee, Dame Anne Begg MP, criticised the company in July: “There have been failings in the service Atos Healthcare has provided, which has often fallen short of what claimants can rightly expect.” Earlier this month, an Observer investigation revealed that 12 doctors employed by the the French-owned company are being investigated by the General Medical Council.

Mike Harris of the Libel Reform campaign said:

“This case demonstrates the inconsistencies in our libel laws. Because Atos Healthcare are out-sourced work by the public sector they are allowed to sue for defamation, whereas a public body

performing the same services can't. It's unacceptable. The work that Atos are undertaking is paid for by the taxpayer and as such taxpayers, in this case a group of carers, should be able to express a strong opinion on this."
"Atos did not approach the author of the supposedly defamatory piece, who ultimately bears responsibility for what they wrote. Going direct to the internet hosts to pull the plug on this forum, which provides help and support for many vulnerable people, is a form of extra-judicial silencing. We need the select committee looking at the draft defamation bill to make concrete proposals to stop legal threats against internet hosts bringing down entire websites."

Frances Kelly the founder of Carer Watch claims the site has never had a policy on Atos, instead their campaign is directed at government policies that affect people with disabilities. The site had no contact with Atos, who bypassed them to take their complaints directly to the web host.

Kelly has now written to Atos Healthcare asking for an explanation. She said: "Many members who are very fragile and the sudden disappearance of a support group has caused a lot of distress and fear. Some are ringing us in tears."

In a statement the company said: "While we fully support the right of people to express their opinions, it is our duty to protect the reputation of our employees and company against false and malicious allegations. In such circumstances, we will look to take any necessary steps to ensure that these unsupported claims are addressed swiftly and appropriately."

IT CAN HAPPEN HERE: THE BANK CONFISCATION SCHEME FOR US AND UK DEPOSITORS

Ellen Brown; Global Research

Url of this article: http://www.globalresearch.ca/it-can-happen-here-the-bank-confiscation-scheme-for-us-and-uk-depositors/5328954

Confiscating the customer deposits in Cyprus banks, it seems, was not a one-off, desperate idea of a few Eurozone "troika" officials scrambling to salvage their balance sheets. A joint paper by the US Federal Deposit Insurance Corporation and the Bank of England dated December 10, 2012, shows that these plans have been long in the making; that they originated with the G20 Financial Stability Board in Basel, Switzerland (discussed earlier here); and that the result will be to deliver clear title to the banks of depositor funds.

New Zealand has a similar directive, discussed in my last article here, indicating that this isn't just an emergency measure for troubled Eurozone countries. New Zealand's Voxy reported on March 19th:

The National Government [is] pushing a Cyprus-style solution to bank failure in New Zealand which will see small depositors lose some of their savings to fund big bank bailouts . . . .
Open Bank Resolution (OBR) is Finance Minister Bill English's favoured option dealing with a major bank failure. If a bank fails under OBR, all depositors will have their savings reduced overnight to fund the bank's bail out.

Can They Do That?

Although few depositors realize it, legally the bank owns the depositor's funds as soon as they are put in the bank. Our money becomes the bank's, and we become unsecured creditors holding IOUs or promises to pay. (See here and here.) But until now the bank has been obligated to pay the money back on demand in the form of cash. Under the FDIC-BOE plan, our IOUs will be converted into "bank equity." The bank will get the money and we will get stock in the bank. With any luck we may be able to sell the stock to someone else, but when and at what price? Most people keep a deposit account so they can have ready cash to pay the bills.

The 15-page FDIC-BOE document is called "Resolving Globally Active, Systemically Important, Financial Institutions." It begins by explaining that the 2008 banking crisis has made it clear that some other way besides taxpayer bailouts is needed to maintain "financial stability." Evidently anticipating that the next financial collapse will be on a grander scale than either the taxpayers or Congress is willing to underwrite, the authors state:

An efficient path for returning the sound operations of the G-SIFI to the private sector would be provided by exchanging or converting a sufficient amount of the unsecured debt from the original creditors of the failed company [meaning the depositors] into equity [or stock]. In the U.S., the new equity would become capital in one or more newly formed operating entities. In the U.K., the same approach could be used, or the equity could be used to recapitalize the failing financial company itself—thus, the highest layer of surviving bailed-in creditors would become the owners of the resolved firm. In either country, the new equity holders would take on the corresponding risk of being shareholders in a financial institution.

No exception is indicated for "insured deposits" in the U.S., meaning those under $250,000, the deposits we thought were protected by FDIC insurance. This can hardly be an oversight, since it is the FDIC that is issuing the directive. The FDIC is an insurance company funded by premiums paid by private banks. The directive is called a "resolution process," defined elsewhere as a plan that "would be triggered in the event of the failure of an insurer . . . ." The only mention of "insured deposits" is in connection with existing UK legislation, which the FDIC-BOE directive goes on to say is inadequate, implying that it needs to be modified or overridden.

An Imminent Risk

If our IOUs are converted to bank stock, they will no longer be subject to insurance protection but will be "at risk" and vulnerable to being wiped out, just as the Lehman Brothers shareholders were in 2008. That this dire scenario could actually materialize was underscored by Yves Smith in a March 19th post titled When You Weren't Looking, Democrat Bank Stooges Launch Bills to Permit Bailouts, Deregulate Derivatives. She writes:

In the US, depositors have actually been put in a worse position than Cyprus deposit-holders, at least if they are at the big banks that play in the derivatives casino. The regulators have turned a blind eye as banks use their depositaries to fund derivatives exposures. And as bad as that is, the depositors, unlike their Cypriot confreres, aren't even senior creditors. Remember Lehman? When the investment bank failed, unsecured creditors (and remember, depositors are unsecured creditors) got eight cents on the dollar. One big reason was that derivatives counterparties require collateral for any exposures, meaning they are secured creditors. The 2005 bankruptcy reforms made derivatives counterparties senior to unsecured lenders.

One might wonder why the posting of collateral by a derivative counterparty, at some percentage of full exposure, makes the creditor "secured," while the depositor who puts up 100 cents on the dollar is "unsecured." But moving on – Smith writes:

Lehman had only two itty bitty banking subsidiaries, and to my knowledge, was not gathering retail deposits. But as readers may recall, Bank of America moved most of its derivatives from its Merrill Lynch operation [to] its depositary in late 2011.

Its "depositary" is the arm of the bank that takes deposits; and at B of A, that means lots and lots of deposits. The deposits are now subject to being wiped out by a major derivatives loss. How bad could that be? Smith quotes Bloomberg:

. . . Bank of America's holding company . . . held almost $75 trillion of derivatives at the end of June . . . That compares with JPMorgan's deposit-taking entity, JPMorgan Chase Bank NA, which contained 99 percent of the New York-based firm's $79 trillion of notional derivatives, the OCC data show.

$75 trillion and $79 trillion in derivatives! These two mega-banks alone hold more in notional derivatives each than the entire global GDP (at $70 trillion). The "notional value" of derivatives is not the same as cash at risk, but according to a cross-post on Smith's site: By at least one estimate, in 2010 there was a total of $12 trillion in cash tied up (at risk) in derivatives . . . .

$12 trillion is close to the US GDP. Smith goes on:

. . . Remember the effect of the 2005 bankruptcy law revisions: derivatives counterparties are first in line, they get to grab assets first and leave everyone else to scramble for crumbs. . . . Lehman failed over a weekend after JP Morgan grabbed collateral.

But it's even worse than that. During the savings & loan crisis, the FDIC did not have enough in deposit *insurance receipts to pay for the Resolution Trust Corporation wind-down vehicle. It had to get more funding from Congress. This move paves the way for another TARP-style shakedown of taxpayers, this time to save depositors.*

Perhaps, but Congress has already been burned and is liable to balk a second time. Section 716 of the Dodd-Frank Act specifically prohibits public support for speculative derivatives activities. And in the Eurozone, while the European Stability Mechanism committed Eurozone countries to bail out failed banks, they are apparently having second thoughts there as well. On March 25th, Dutch Finance Minister Jeroen Dijsselbloem, who played a leading role in imposing the deposit confiscation plan on Cyprus, told reporters that it would be the template for any future bank bailouts, and that "the aim is for the ESM never to have to be used."

That explains the need for the FDIC-BOE resolution. If the anticipated enabling legislation is passed, the FDIC will no longer need to protect depositor funds; it can just confiscate them.

Worse Than a Tax

An FDIC confiscation of deposits to recapitalize the banks is far different from a simple tax on taxpayers to pay government expenses. The government's debt is at least arguably the people's debt, since the government is there to provide services for the people. But when the banks get into trouble with their derivative schemes, they are not serving depositors, who are not getting a cut of the profits. Taking depositor funds is simply theft.

What should be done is to raise FDIC insurance premiums and make the banks pay to keep their depositors whole, but premiums are already high; and the FDIC, like other government regulatory agencies, is subject to regulatory capture. Deposit insurance has failed, and so has the private banking system that has depended on it for the trust that makes banking work.

The Cyprus haircut on depositors was called a "wealth tax" and was written off by commentators as "deserved," because much of the money in Cypriot accounts belongs to foreign oligarchs, tax dodgers and money launderers. But if that template is applied in the US, it will be a tax on the poor and middle class. Wealthy Americans don't keep most of their money in bank accounts. They keep it in the stock market, in real estate, in over-the-counter derivatives, in gold and silver, and so forth.

Are you safe, then, if your money is in gold and silver? Apparently not – if it's stored in a safety deposit box in the bank. Homeland Security has reportedly told banks that it has authority to seize the contents of safety deposit boxes without a warrant when it's a matter of "national security," which a major bank crisis no doubt will be.

The Swedish Alternative: Nationalize the Banks

Another alternative was considered but rejected by President Obama in 2009: nationalize mega-banks that fail. In a February 2009 article titled "Are Uninsured Bank Depositors in Danger?", Felix Salmon discussed a newsletter by Asia-based investment strategist Christopher Wood, in which Wood wrote:

It is . . . amazing that Obama does not understand the political appeal of the nationalization option. . . . [D]espite this latest setback nationalization of the banks is coming sooner or later because the realities of the situation will demand it. The result will be shareholders wiped out and bondholders forced to take debt-for-equity swaps, if not hopefully depositors.

On whether depositors could indeed be forced to become equity holders, Salmon commented:

It's worth remembering that depositors are unsecured creditors of any bank; usually, indeed, they're by far the largest class of unsecured creditors.

President Obama acknowledged that bank nationalization had worked in Sweden, and that the course pursued by the US Fed had not worked in Japan, which wound up instead in a "lost decade." But Obama opted for the Japanese approach because, according to Ed Harrison, "Americans will not tolerate nationalization."

But that was four years ago. When Americans realize that the alternative is to have their ready cash transformed into "bank stock" of questionable marketability, moving failed mega-banks into the public sector may start to have more appeal.

Ellen Brown is an attorney, chairman of the Public Banking Institute, and the author of eleven books, including Web of Debt: The Shocking Truth About Our Money System and How We Can Break Free. Her *websites are webofdebt.com and ellenbrown.com. For details of the June 2013 Public Banking Institute conference in San Rafael.*

TAKE YOUR MONEY OUT OF THE BANK, WHILE YOU STILL CAN

Dave Hodges; Activist Post

It is now clear, the government of Cyprus was given two options by the IMF and the EU in which they were told that they could steal money from private bank accounts or they could leave the Eurozone all together and face total economic annihilation. This theft involves seizing the funds of all accounts over 100,000 euros, then stealing up to 40% of those funds sometime over the next few weeks, or whenever EU finance ministers decide exactly how much to steal.

However, no accounts containing less than 100,000 euros will be impacted. This amount was not arbitrarily chosen. The 100,000 mark was chosen because all EU bank accounts are insured up to 100,000 euros. Therefore, the criminal banksters believe that they can steal anything over 100,000 euros because it is not insured.

Except for the 132 preferred insiders who got their money out of Cyprus the day before the announcement of the grand banking theft, the Eurogroup finance ministers have subsequently announced that the large Bank of Cyprus depositors' above the 100,000 level now have their accounts frozen. The 132 preferred insiders reminds me of Goldman Sachs doing a put option for preferred insiders in Transocean stock the morning of the Gulf oil explosion.

Lars Christensen, the CEO of Saxo Bank, in a recent blog post, chastised the thievery of the IMF and the EU with the following statement.

This is a breach of fundamental property rights, dictated to a small country by foreign powers and it must make every bank depositor in Europe shiver. Although the representatives at the bailout press conference tried to present this as a one-off, they were not willing to rule out similar measures elsewhere – not that it would have mattered much as the trust is gone anyway. It is now difficult to expect any kind of limitation to what measures the Troika and EU might take when the crisis really starts to bite.

If you can do this once, you can do it again. if you can confiscate 10 percent of a bank customer's money, you can confiscate 25, 50 or even 100 percent. I now believe we will see worse as the panic increases, with politicians desperately trying to keep the EUR alive.

Depositors in other prospective bailout countries must be running scared – is it safe to keep money in an Italian, Spanish or Greek bank any more? I don't know, must be the answer. Is it prudent to take the risk? You decide. I fear this will lead to massive capital outflows from weak Eurozone countries, just about the last thing they need right now.

Plain and simple, the Cyprus fiasco is a bankster beta test which is being used to test the intestinal fortitude of bank depositors. If there is no uprising in Cyprus, the banksters will move on to Greece, then to Italy, and on to Spain. Even New Zealand is rumored to be in the cross-hairs of the banksters. In short, these tactics will spread like wildfire to every G20 nation on the planet including the United States.

Helicopter Ben Bernanke refuses to address the possibility of this grand theft spreading to the United States. However, recent DHS actions have spoken volumes to that end, as they have declared that, under the PATRIOT Act, they can enter any safe deposit box and seize any bank account. Further, any bank employee caught leaking DHS memos to the public can and will be prosecuted under the same act. Subsequently, the US will not need a Cyprus-like Deposit Tax since they can take whatever is deemed as contraband by an inspecting DHS agent -- and they will not likely stop with seizing safe deposit boxes.

Now America should know why the DHS has purchased 2.2 billion rounds of ammunition and 2700 armored vehicles, as they know that this planned theft will be met with resistance by American account holders. And DHS will not stop with the theft of our bank accounts. My sources tell me that Obama is going after every investment including our pensions and 401(k)'s. The banksters on Wall Street are also acquiring firearms, ammunition and control over private mercenary corporations like DynCorp and Blackwater, as authorized by Department of Defense (DOD) directive 3025.18. It is interesting to note that this is the same DynCorp that was caught trafficking in child sex rings and got off with only a small fine. The bankers have revealed themselves for who they really are.

With all the discourse covering this volatile situation in which nobody's money is safe, the "legal precedent" has already been set in stone courtesy of the United States justice system. Who could ever forget the MF Global (MFG) scandal which stunned American financial centers when Jon "the Don" Corzine, CEO of MF Global, oversaw the disappearance of $6.3 billion dollars, from secured and segregated accounts, which were used as collateral on bad gambling bets placed upon indebted European nations. The subsequent European nation's credit ratings went down the toilet and JP Morgan, the mastermind behind this theft of secured investment funds, handsomely profited. And where was the Securities and Exchange Commission during this criminal debacle? Well, the agent in charge of the division which would have overseen the MF Global theft by former Goldman Sachs, Jon Corzine, was former Goldman Sachs enforcement agent, Gary Gensler.

And let's not forget about the stunning decision made in August of 2012, in which the 7th Circuit Court of Appeals, from Illinois, ruled that once a person deposits their personal money in the bank, the bank is free to do whatever it wants to do with the depositor funds including covering their bank losses, engaging in risky investments and, presumably, even stealing the funds. Is it clear why Jesus chased the money changers from the Temple?

Get your money out of the bank immediately. Leave just enough in the bank to pay bills. Buy a fireproof safe and install it in a secure and hidden location within your home. Do not keep anything in a safety deposit box because very soon it will become the property of DHS.

Could this be the beginning of the trigger event which will ultimately lead to revolution in this country, complete with roundups and mass exterminations of dissidents? Time will tell. Meanwhile, get your money out of the banks, now, while you still can.

Dave is an award winning psychology, statistics and research professor, a college basketball coach, a mental health counselor, a political activist and writer who has published dozens of editorials and articles in several publications such as Freedoms Phoenix, News With Views and The Arizona Republic.

The Common Sense Show features a wide variety of important topics that range from the loss of constitutional liberties, to the subsequent implementation of a police state under world governance, to exploring the limits of human potential. The primary purpose of The Common Sense Show is to provide Americans with the tools necessary to reclaim both our individual and national sovereignty.

"No generation has a freehold on this earth. All we have is a life tenancy with a full repairing lease."

Margaret Thatcher; thanks to Global Table

THE CONFISCATION OF BANK SAVINGS TO "SAVE THE BANKS": THE DIABOLICAL BANK "BAIL-IN" PROPOSAL

Prof Michel Chossudovsky; Global Research

Url of this article: http://www.globalresearch.ca/the-confiscation-of-bank-savings-to-save-the-banks/5329411

Is the Cyprus Bank "Bail-in" a "dress rehearsal" for things to come?

Is a "Savings Heist" in the European Union and North America envisaged which could result in the outright confiscation of bank deposits?

In Cyprus, the entire payments system has been disrupted leading to the demise of the real economy.

Pensions and wages are no longer paid. Purchasing power has collapsed.

The population is impoverished.

Small and medium sized enterprises are spearheaded into bankruptcy.

Cyprus is a country with a population of one million.

What would happen if similar 'hair cut" procedures were to be applied in the U.S. or the European

Union?

According to the Washington based Institute of International Finance (IIF) (right) which represents the consensus of the global financial establishment, “the Cyprus approach of hitting depositors and creditors when banks fail, would likely become a model for dealing with collapses elsewhere in Europe.” (Economic Times, March 27, 2013).

It should be understood that prior to the Cyprus onslaught, the confiscation of bank deposits had been contemplated in several countries. Moreover, the powerful financial actors who triggered the bank crisis in Cyprus, are also the architects of the socially devastating austerity measures imposed in the European Union and North America.

Does Cyprus constitute a “model” or scenario?

Are there “lessons to be learned” by these powerful financial actors, to be applied elsewhere, at some later stage, in the Eurozone’s banking landscape?

According to the Institute of International Finance (IIF), “hitting depositors” could become the “new normal” of this diabolical project, serving the interests of the global financial conglomerates.

This new normal is endorsed by the IMF and the European Central Bank. According to the IIF which constitutes the banking elites mouthpiece, “Investors would be well advised to see the outcome of Cyprus… as a reflection of how future stresses will be handled.” (quoted in Economic Times, March 27, 2013)

“Financial Cleansing”. Bail-ins in the US and Britain

What is at stake is a process of “financial cleansing” whereby the “too big to fail banks” in Europe and North America (e.g. Citi, JPMorgan Chase, Goldman Sachs, et al) displace and destroy lesser financial institutions, with a view to eventually taking over the entire “banking landscape”.

The underlying tendency at the national and global levels is towards the centralization and concentration of bank power, while leading to the dramatic slump of the real economy.

Bail ins have been envisaged in numerous countries. In New Zealand a “haircut plan” was envisaged as early as 1997 coinciding with Asian financial crisis.

There are provisions in both the UK and the US pertaining to the confiscation of bank deposits. In a joint document of the Federal Deposit Insurance Corporation (FDIC) and the Bank of England, entitled Resolving Globally Active, Systemically Important, Financial Institutions, explicit procedures were put forth whereby “the original creditors of the failed company “, meaning the depositors of a failed bank, would be converted into “equity”. (See Ellen Brown, It Can Happen Here: The Bank Confiscation Scheme for US and UK Depositors,Global Research, March 2013)

What this means is that the money confiscated from bank accounts would be used to meet the failed bank’s financial obligations. In return, the holders of the confiscated bank deposits would become stockholders in a failed financial institution on the verge of bankruptcy.

Bank savings would be transformed overnight into an illusive concept of capital ownership. The confiscation of savings would be adopted under the disguise of a bogus “compensation” in terms of equity.

What is envisaged is the application of a selective process of confiscation of bank deposits, with a view to collecting debt while also triggering the demise of “weaker” financial institutions. In the US, the procedure would bypass the provisions of the Federal Deposit Insurance Corporation (FDIC) which insures deposit holders against bank failures

No exception is indicated for “insured deposits” in the U.S., meaning those under $250,000, the deposits we thought were protected by FDIC insurance. This can hardly be an oversight, since it is the FDIC that is issuing the directive. The FDIC is an insurance company funded by premiums paid by private banks. The directive is called a “resolution process,” defined elsewhere as a plan that “would be triggered in the event of the failure of an insurer . . . .” The only mention of “insured deposits” is in connection with existing UK legislation, which the FDIC-BOE directive goes on to say is inadequate, implying that it needs to be modified or overridden. (Ibid)

Because depositors are provided with a bogus compensation, they are not eligible to the FDIC deposit insurance.

Canada’s Deposit Confiscation Proposal

The most candid statement of confiscation of bank deposits as a means to “saving the banks” is formulated in a recently released document of the Canadian government entitled “Jobs, Growth and Long Term Prosperity: Economic Action Plan 2013″.

The latter was submitted to the House of Commons by Canada's Minister of Finance Jim Flaherty on March 21 as part of a so-called "pre-budget" proposal.

A short section of the 400 report entitled "Risk Management Framework for Domestic Systemically Important Banks" identifies bail-in procedure for Canada's chartered banks. The word confiscation is not mentioned. Financial jargon serves to obfuscate the real intent which essentially consists in stealing people's savings.

Under the Canadian "Risk Management" project:

The Government proposes to implement a 'bail-in' regime for systemically important banks. This regime will be designed to ensure that, in the unlikely event that a systemically important bank depletes its capital, the bank can be recapitalized and returned to viability through the very rapid conversion of certain bank liabilities into regulatory capital." This will reduce risks for taxpayers. The Government will consult stakeholders on how best to implement a bail-in regime in Canada.

What this signifies is that if one or more banks (or credit unions) were obliged to "systemically deplete their capital" to meet the demands of their creditors, the banks would be recapitalized through "the conversion of certain bank liabilities into regulatory capital."

The "certain bank liabilities" pertains (in technical jargon) to the money they owe their customers, namely to their depositors, whose bank accounts would be confiscated in exchange for shares (equity) in a "failing" banking institution.

"This will reduce risks for taxpayers" is a nonsensical statement. What this really means is that the government will not provide funding to compensate depositors who are victims of a failed banking institution, nor will it come to rescue of the failed institution.

Instead the depositors will be obliged to give up their savings. The money confiscated will then be used by the bank to meet their liabilities contracted with major financial creditor institutions. In other words, this entire scheme is "a safety net" for too big to fail banks, a mechanism which enables them as creditors to overshadow lesser banking institutions including credit unions, while precipitating either their collapse or their takeover.

Canada's Financial Landscape

The Risk Management Bail in initiative is of crucial significance for Canadians across the land: once it is adopted by the House of Commons as part of the budget package, the Bail-in procedures could be applied.

The Conservative government has a parliamentary majority. There is a good likelihood that the Economic Action Plan 2013″ which includes the Bail-in procedure will be adopted.

While Canada's Risk Management Framework intimates that Canada's banks "are at risk", particularly those which have accumulated large debts (as a result of derivative losses), a generalised across the board application of the "Bail in" is not contemplated.

The likely scenario in the foreseeable future is that Canada's "big five" banks, Royal Bank of Canada, TD Canada Trust, Scotiabank, Bank of Montreal and CIBC (all of which have powerful affiliates operating in the US financial landscape) will consolidate their position at the expense of lesser (provincial level) banks and financial institutions.

The Government document intimates that the Bail-in could be used selectively "in the unlikely event that one [bank] becomes non-viable." What this suggests is that at least one or more of Canada's "lesser banks" could be the object of a bail-in. Such a procedure would inevitably lead to a greater concentration of bank capital in Canada, to the benefit of the larger financial conglomerates.

Displacement of Provincial Level Credit Unions and Cooperative Banks

There is an important network of over 300 provincial level credit unions and cooperative banks including the powerful Desjardins network in Quebec, the Vancouver City Savings Credit Union (Vancity) and the Coastal Capital Savings in British Columbia, Servus in Alberta, Meridian in Ontario, the caisses populaires in Ontario (affiliated to Desjardins), among many others, which could be the target of selective "Bail-in" operations.

In this context, what is likely to occur is a significant weakening of provincial level cooperative financial institutions, which have a governance relationship to their members (including representative councils) and which, in the present context, offer an alternative to the Big Five chartered banks. According to recent data, there are more than 300 credit unions and caisses populaires in Canada which are members of the "Credit Union Central of Canada".

New Normal: International Standards Governing the Confiscation of Bank Deposits

Canada's Economic Action Plan 2013″ acknowledges that the proposed Bail-in framework "will be consistent with reforms in other countries and key international standards". Namely, the proposed pattern of confiscating bank deposits as described in the Canadian government document is consistent with the model contemplated in the US and the European Union. This model is currently a "talking point" (behind closed doors) at various international venues regrouping central bank governors and finance ministers.

The regulatory agency involved in these multilateral consultations is the Financial Stability Board (FSB) based in Basel, Switzerland and hosted by the Bank for International Settlements (BIS) (image right). The FSB happens to be chaired by the governor of the Bank of Canada, Mark Carney, who was recently appointed by the British government to head the Bank of England starting in June 2013.

Mark Carney, as Governor of the Bank of Canada, was instrumental in shaping the provisions of the Bail-in for Canada's chartered banks. Before his career in central banking, he was a senior executive at Goldman Sachs, which has played a behind the scenes role in the implementation of the bank bailouts and austerity measures in the EU.

The FSB's mandate would be to coordinate the bail-in procedures, in liaison with the "national financial authorities" and "international standard setting bodies" which include the IMF and the BIS. It should come as no surprise: the deposit confiscation procedures in the UK, the US and Canada examined above are remarkably similar.

Bank "Bail-ins" vs. Bank "Bail-outs"

The bailouts are "rescue packages" whereby the government allocates a significant portion of State revenues in favor of failed financial institutions. The money is channeled from the coffers of the State to the banking conglomerates.

In the US in 2008-2009, a total of $1.45 trillion was channeled to Wall Street financial institutions as part of the Bush and Obama rescue packages.

These bailouts were considered as a De facto government expenditure category. They required the implementation of austerity measures. Together with massive hikes in military expenditure, the bailouts were financed through drastic cuts in social programs including Medicare, Medicaid and Social Security.

In contrast to the Bailout, which is funded from the public purse, the "Bail-in" requires the (in-house) confiscation of bank deposits. The bail-ins are implemented without the use of public funds. The regulatory mechanism is established by the central bank.

At the outset of Obama's first term in January 2009, a bank bailout of the order of $750 billion was announced by Obama, which was added on to the 700 billion dollar bailout money allocated by the outgoing Bush administration under the Troubled Assets Relief Program (TARP).

The total of both programs was a staggering 1.45 trillion dollars to be financed by the US Treasury. (It should be understood that the actual amount of cash financial "aid" to the banks was significantly larger than $1.45 trillion. In addition to this amount defence allocations to fund Obama's war economy (FY 2010) was a staggering $739 billion. Namely the bank bailouts plus defence combined ($2189 billion) eat up almost the totality of the federal revenues which in FY 2010 amounted to $2381 billion.

Concluding remarks

What is occurring is that the bank bailouts are no longer functional. At the outset of Obama's Second term, the coffers of the state are empty. The austerity measures have reached a deadlock.

The bank bail-ins are now being contemplated instead of the "bank bailouts".

The lower and middle income groups which are invariably indebted will not be the main target. The appropriation of bank deposits would essentially target the upper middle and upper income groups which have significant bank deposits. The second target will be the bank accounts of small and medium sized firms.

This transition is part of the evolution of the global economic crisis and the impasse underlying the application of the austerity measures.

The purpose of the global financial actors is to wipe out competitors, consolidate and centralize bank power and exert an overriding control over the real economy, the institutions of government and the military.

Even if the bail-ins were to be regulated and applied selectively to a limited number of failing financial institutions, credit unions, etc, the announcement of a program of confiscation of deposits could potentially lead to a generalized "run on the banks". In this context, no banking institution would be regarded as safe.

The application of Bail-in procedures involving deposit confiscation (even when applied locally or selectively) would create financial havoc. It would interrupt the payments process. Wages would no longer be paid. Purchasing power would collapse. Money for investment in plant and equipment would no longer be forthcoming. Small and medium sized businesses would be precipitated into bankruptcy.

The application of a Bail-In in the EU or North America would initiate a new phase of the global financial crisis, a deepening of the economic depression, a greater centralization of banking and finance, increased concentration of corporate power in the real economy to the detriment of regional and local level enterprises.

In turn, an entire global banking network characterized by electronic transactions (which govern deposits, withdrawals, etc), –not to mention money transactions on the stock and commodity markets– could potentially be the object of significant disruptions of a systemic nature.

The social consequences would be devastating. The real economy would plummet as a result of the collapse in the payments system.

The potential disruptions in the functioning of an integrated global monetary system could result in a a renewed global economic meltdown as well as a drop off in international commodity trade.

It is important that people across the land, in the European Union and North America, nationally and internationally, forcefully act against the diabolical ploys of their governments –acting on behalf of dominant financial interests– to implement a selective process of bank deposit confiscation.

BITCOIN VS. BIG GOVERNMENT; HOW THE VIRTUAL CURRENCY UNDERMINES GOVERNMENT AUTHORITY

Jerry Brito; Reason.com via Activist Post

Interest in Bitcoin has surged along with its valuation. Last week saw its exchange rate soar past $100 for the first time ever, landing the virtual currency on the front pages of The Washington Post and the Financial Times. Yet the media frenzy, which has focused on the rapidly rising valuation and its possible causes stemming from the bank crisis in Cyprus, is overlooking Bitcoin's true radical significance—that it can't be controlled by government.

In his new book, This Machine Kills Secrets, Andy Greenberg recounts the history of the 1990s cypherpunk movement that paved the way for WikiLeaks and Anonymous. The early Internet's crypto-anarchists foresaw a future world in which widely available cryptography secured personal anonymity and privacy to such an extent that it threatened the authority of the state. Their key insight, Greenberg explains, is that anything that can be done cryptographically can be done without government oversight.

Before eBay or WikiLeaks, cypherpunks like Tim May imagined online markets for information in which buyers and sellers transacted anonymously using untraceable digital cash. Anything from state secrets to private credit reports would no doubt become available for the right price. These ideas were notoriously taken to the next level by the radical libertarian Jim Bell who proposed a system for anonymously crowdfunding the assassination of corrupt government officials.

While almost all the technology necessary for such black markets was available when the cypherpunks were writing, there was one conspicuous exception: true digital cash.

Until Bitcoin, virtual currencies have in one way or another relied on a third party intermediary, such as a bank or a credit card company, to prevent "double spending." In the physical world, if I give you a $20 bill, I will no longer have it. You can't be as sure of that, however, when the cash is a digital file that can be easily copied. The solution has been to have a trusted intermediary keep a ledger of balances and deduct a transaction's amount from the payer's account, and add it to the payee's.

Intermediaries, however, are the regulatory chokepoints at which government can apply pressure. For example, after WikiLeaks released its trove of State Department cables, payment processors such as Visa and MasterCard succumbed to political pressure and refused to transmit donations to the group. PayPal even froze its account so that the group couldn't access funds it had already collected. As as a result, WikiLeaks has been driven to near bankruptcy.

Today, online gambling is illegal under federal law and the prohibition is enforced through payment processors, which are not allowed to send money to offshore casinos. The infamous Stop Online Piracy Act

(SOPA) also targeted financial intermediaries and would have banned payments to suspected pirate websites.

Bitcoin is revolutionary because it solves the double-spending problem without employing an intermediary; there is only the payer and the payee. The system accomplishes this by distributing the ledger of transactions across a peer-to-peer network of users, much like BitTorrent. This allows a record to be kept of all transfers so that the same cash can't be spent twice, but because it's distributed, there's no one central authority keeping the ledger. This makes bitcoins true digital cash. Like dollar bills or euro coins, if you hand them over to a payee, you will no longer have them. And because there is no third party running the ledger, there is no one for the government to pressure or regulate.

Much of the discussion around bitcoin today centers on whether it will work as money. Money has three functions: it serves as a medium of exchange, a unit of account, and a store of value. Because Bitcoin is distributed, there is no central banker that can decide to inflate the money supply. Some argue this makes it a good store of value, like gold or Picassos, while others counter that Bitcoin's historic volatility make it a poor store of value and an unreliable unit of account to boot. Given the public's fear of currency devaluation in Europe and the U.S., the question of whether you can stash your wealth in bitcoin to avoid capitol controls and inflation is what has been driving much of the media's coverage of the currency.

Time will tell whether the gold bugs or the skeptics are right, but what's being overlooked is that it doesn't matter whether Bitcoin makes it as a store of value or a unit of account for it to work as a medium of exchange. Even if the Bitcoin market remains volatile and never pans out as a good store of value or unit of account, one can imagine users converting their dollars or euros to bitcoins for just long enough to make a transaction; perhaps just minutes. And as long as it works as a medium of exchange, it is the true digital cash that was missing from the cypherpunks' predictions.

With a little bit of effort, today you can purchase bitcoins anonymously with physical cash. You could then do all sorts of things the government doesn't want you to do. You could buy illegal drugs on the notorious Silk Road, an encrypted website that has been operating with impunity for the past two years facilitating annual sales estimated at almost $15 million. You could gamble at various casinos or prediction markets, buy contraband Cuban cigars, or even give money to WikiLeaks. Dissidents in Iran or China can use Bitcoin to buy premium blogging services from WordPress, which now accepts payment in the currency. Perhaps more importantly, Bitcoin makes the cypherpunks predictions of markets for stolen secret information and even assassinations feasible.

Last month, the Treasury Department issued guidance on how it plans to regulate Bitcoin exchanges. This is good news for the currency since it implies the government is looking to regulate its use rather than prohibit it. Confronted with Bitcoin's potential, it's not reasonable to expect that Treasury's money laundering cops would simply let it be. So it's a sensible approach for them to take because Bitcoin, much like BitTorrent, can be used for both licit and illicit purposes and would in any event be difficult to shut down.

Today physical cash is anonymous, which helps keep one's purchases private. Cash is also difficult to control: a $100 bill never gets "declined." As we move to an all-digital world, we should ensure that we retain some type of digital cash that is not tied to a financial intermediary that can spy on or control transactions—even if, just like physical cash, it is put to nefarious uses. The real question facing Bitcoin today, then, is whether law enforcement and regulators will continue to show as much restraint as they have so far.

Jerry Brito is a senior research fellow at the Mercatus Center at George Mason University and director of its Technology Policy Program. His new book is Copyright Unbalanced: From Incentive to Excess.

BITCOIN PRIVACY EXTENSION TO HAVE BACKDOOR FOR GOVERNMENT SNOOPING?

Eric Blair Activist Post

Bankers seem desperate to get governments to regulate decentralized virtual currencies like Bitcoin. With good reason.

As currency wars rage with a rush to devaluation while banker bureaucrats openly rob depositors in

Cyprus and as financial privacy disappears, Bitcoin has become a safe haven currency to a growing number of people. Bankers and governments can't control it or tax it, but now they're attempting to fix that.

Andrew Leonard of Salon writes:

The more popular Bitcoin gets, whether as a symbol of resistance or a perceived safe haven in financially troubled times, the more government attention it will inevitably draw, and the more inexorably it will be sucked into existing regulatory structures. Incomes denominated in Bitcoins will be taxed. Efforts at money laundering will be cracked down upon. It's the price of success. Resistance is futile.

The Financial Crimes Enforcement Network (FinCEN) revealed their initial guidelines to regulate virtual currencies. Although it said that users of virtual currencies are not subject to FinCEN regulations, exchanges for that currency are:

A user of virtual currency is not an MSB under FinCEN's regulations and therefore is not subject to MSB registration, reporting, and recordkeeping regulations. However, an administrator or exchanger is an MSB under FinCEN's regulations, specifically, a money transmitter, unless a limitation to or exemption from the definition applies to the person. An administrator or exchanger is not a provider or seller of prepaid access, or a dealer in foreign exchange, under FinCEN's regulations.

Additionally, the CIA's venture capital firm In-Q-Tel has taken a great interest in Bitcoin and has called some of its developers to give a presentation about Bitcoin this June, which is troublesome for the prospect of freedom and privacy.

But resistance is not futile as Andrew Leonard would like his readers to believe. Other developers are working on Bitcoin extensions to add further privacy for users. Bitcoin transactions are already fairly anonymous even though they can be viewed on a public open-source record.

Privacy lacks for Bitcoin users, not in the transaction, but in where the coins are stored. Specific encrypted coins can be traced through a transaction to a certain wallet whose owner is may or may not be anonymous. Even if the wallet is anonymous, everyone knows where their specific coins have been which could potentially expose the wallet owner's activity and identity.

A new Bitcoin privacy extension, Zerocoin, is seeking to solve this privacy concern. Zerocoin, being developed by Johns Hopkins University, will basically pool Bitcoins in escrow and scramble them between buyers and sellers to hide the origin and destination of specific coins.

New Scientist reports:

Called Zerocoin, it's a cryptographic add-on to Bitcoin that allows for transactions which cannot be linked together. The key is that it does this without introducing any new centralised elements into the network or using laundering, whereby coins are spent through intermediaries to hide the root purchaser's wallet address.

Zerocoin works by allowing Bitcoin users to leave their coins floating on the network for someone else to redeem, on the condition that they can redeem the same amount of Bitcoin, similarly left floating on the network, at an arbitrary time in the future.

Jon Matonis of the American Banker interviewed Johns Hopkins research professor Matthew Green, who said:

"Zerocoin creates an 'escrow pool' of bitcoins, which users can contribute to and then later redeem from," Green explained. Users receive different coins than they put in (though the same amount) and there is no entity that can trace your transactions or steal your money. "Unlike previous e-cash schemes, this whole process requires no trusted party. As long as all the nodes in the network support the Zerocoin protocol, the system works in a fully distributed fashion," added Green.

Green is due to present his paper Zerocoin: Anonymous Distributed E-Cash from Bitcoin at the IEEE Symposium on Security & Privacy this May.

It sounds like an amazing innovation for a currency that is already far superior in many ways to establishment currencies and banking. However, Green adds one disturbing statement with huge implications for the legitimacy of Zerocoin.

Green told the New Scientist, "Zerocoin would give you this incredible privacy guarantee, then we could add on some features which let the police, for instance, to be able to track money laundering. A back door."

Apparently Green has received a lot of grief for attempting to provide an anonymous privacy protocol that would allow back-door snooping, and he has since backed off his previous statement even if it still appears in his paper. "The back door isn't part of Zerocoin. There's absolutely no need for it, and building one in would take significant additional effort. In fact, we only mentioned it as a brief note in the conclusion of our paper, mostly to motivate future research work," Green told the American Banker.

So Green included the idea of a backdoor to "motivate future research work"? In other words, he seems to be seeking public funding to continue creating this backdoor. Obviously, the "authorities" would be the only ones interested in this pursuit which answers the question about who he is trying to motivate. The bigger question is who funded this work?

In an attempt to put the issue to rest, Green claimed that a backdoor was impossible, anyway; "If someone did try to build a back door for any reason, the open source Zerocoin would quickly become Zero-adoption."

In any respect, creating a random escrow pool for Bitcoin transactions is a brilliant concept and an innovation that can be used alongside other open-source programs like Coin Control which allows users to choose what wallet they want individual transactions to go to.

Yet as Bitcoin developers are hard at work finding ways to make it even more anonymous, will they be successful in preventing backdoors for government access, thwarting FinCEN regulations, and involvement by the CIA?

IS BITCOIN'S LARGEST EXCHANGE BETTING AGAINST IT?

J.P. Hicks; Activist Post

MtGox.com is the largest Bitcoin exchange on the Internet handling roughly 80% of all trades. The recent wild fluctuations in the price of the decentralized currency have been blamed in part on Mt Gox's market dominance and technological inadequacies.

Max Keiser, a virtual currency pioneer and Bitcoin supporter, explains in the video below that Mt. Gox is running on old inadequate software and is "missing the vital market making function."

Clearly the exchange mechanism of digital currencies needs to be fixed to provide proper price discovery and prevent manipulation. But this much needed upgrade may not come from Mt. Gox, as its founder, Jed McCaleb, appears to be betting against the success of Bitcoin.

A recent article on Bloomberg revealed that McCaleb is throwing his weight behind a new centrally-controlled digital currency called Ripple. McCaleb and Ripple co-founder Chris Larsen claim "Bitcoin’s volatility underscores the need for Ripple."

The article, which read as much like a hit piece against Bitcoin as it did a sponsored post for Ripple, pointed out that part of the problem with the volatile price of Bitcoin is Mt.Gox's inability to handle the volume of trades.

"One reason the value of Bitcoins fell by $100 yesterday, according to reports, is that its largest marketplace, Mt.Gox, was under a denial-of-service attack and couldn’t satisfy orders fast enough."

Ripple, Larsen says, is not susceptible to such fluctuations because it "doesn’t require such centralized servers; it is completely decentralized."

While it is true that Mt. Gox's market dominance for exchanging bitcoins presents obvious challenges to the decentralized currency, this statement appears to be opposite of reality.

Ripple (XRP) is centrally issued and maintained, while the issuance of bitcoins (mining) is a decentralized process. Bitcoin is traded on multiple exchanges where buyers and sellers settle on the value, while the value of Ripple is partially managed by arbitrary release of them into the market so it can be better "controlled".

In what way is that "completely decentralized"?

Ripple's website says it's decentralized because "a distributed collection of servers around the globe runs Ripple", but on a "unified system". Well, a collection of distributed servers runs Google, too, but that doesn't mean it's a decentralized company.

Significantly, Ripples differ from Bitcoins in that they are created out of thin air and given away or sold into existence by Ripple instead of mined by tens of thousands of individual computers like bitcoins are. Only 100 billion Ripples will be created, where 50 billion will be given away or sold into existence while the other 50 billion will be held onto by the managers.

"Starting today, OpenCoin will begin to seed a broader market by putting 100 billion Ripples in circulation: It will gradually distribute 50 billion to users who sign up on the site; it will hold the other 50 billion. (The company hopes its Ripple reserves will appreciate.)," Stone writes.

In other words, the founders are looking to get rich by withholding half of the supply while they work to drive prices up, which makes one wonder if McCaleb at Mt. Gox has a vested interest in seeing Bitcoin fail and Ripple succeed.

It currently takes about 1000 XRP to buy $1 on the second largest Bitcoin exchange, BitStamp.com. Although Ripples "trade" on this independent exchange, the founders hope to provide a one-stop shop for transactions and exchanges.

Brad Stone writes "On its website, people will be able to register for a Ripple account, monitor their balances, and send and receive payments. They can also exchange their Ripples for other currencies, including dollars and—yep—Bitcoin."

Ripple encourages users to stay in-house by stating "Ripple avoids the costs, delays, and inconveniences of system-hopping by keeping everything within Ripple." In this respect they can more easily control the value of XRPs as well. But it's decentralized?

Decentralization of crypto currencies is a huge aspect of why people support them. This doesn't mean the decentralization of servers that run the cryptography for transactions, although that's important as well. The decentralization that's valuable to users is the fact that no central authority can manipulate the supply and value of said currency. In that respect, Ripple appears very centralized.

Yes, crypto-currency exchanges face challenges in providing platforms that offer sound and transparent price discovery relative to central bank currencies. But trying to solve that by tightly controlling its value relative to dollars, for instance, for the sake of easier transactions for merchants takes away all of the independence sought by crypto-currency enthusiasts.

Interestingly, nowhere in the Bloomberg article or on Ripple's website does it explain how the value of XRPs are determined. It just says it will be less susceptible to volatile fluctuations because it is decentralized. Well, now that that's clearly false, we can only speculate.

Finally, the ripple (pardon the pun) this creates between Mt. Gox founder and the future stability of Bitcoin values cannot be ignored. Why would McCaleb invest in improving his Bitcoin trading mechanism when it must fail in order for his other venture to succeed?

J.P. Hicks is an entrepreneur, info-activist, pro blogger, editor of BlogTips.com and author of Secrets to Making Money with a Free Blog. Follow @ Twitter, or like on Facebook.

POSITIVE MONEY BULLETIN EXTRACTS

Positive Money Team

***N**ew videos, brilliant coverage of the true nature of our money system by the media in Germany and Ireland this time (read in the blog section), great success by debunking the myths in the media, petition to kick bankers out of Parliament and more...*

Responses to the recent Cypriot banking collapse have shown that there is still a huge lack of understanding about how banks work and therefore a lot more educational work and awareness building to take part in. Read below to find new publications, videos and interesting events which give support for this work. Please share them with your friends.

Videos from the conference

How the current money system is damaging Businesses, Society and Environment.

Fran Boait, Positive Money's Campaign and Operations Manager, presented the main reasons why we should care about the way money is created.

John Perkins – Message for Positive Money. Perhaps you have already seen some videos of John Perkins, the author of Confessions of an Economic Hit Man. Now you can watch his message for Positive Money

BBC admitted their video "How do Banks Work?" was misleading

One of our supporters was so annoyed by the misleading information that he decided to take action and complained. The result: BBC admitted that their video "left a misleading impression of how banks in fact work, and of the impact of the working of banks on the economy at large" and the video was removed from their website. Could this be the first turning of the tide in terms of the media's understanding of banking and money creation?

Volunteers needed

Would you like to help Positive Money campaign grow? We're looking for volunteers who would help us with social media, creating images/infographics for Facebook and monitoring mainstream media sources (newspapers, TV). If you're interested, please email:
- help with social media, creating graphic content - mira@positivemoney.org
- help with monitoring media - miriam@positivemoney.org

Petition: Kick bankers out of Parliament

You probably didn't know it, but there is a crazy tradition in UK that gives bankers a special seat in Parliament. If you're outraged that the banker-controlled City of London has special privileges in Parliament, you may want to sign this petition.

Getting the messages right

As a Positive Money supporter, you have knowledge and ideas that can help us develop our on-line content. We have put together a short survey on the content for our new website. If you have the time, please give us your feedback and ideas - click here.

Thanks to all of you who gave us feedback on our messages at the Positive Money Conference. Here is a one-page summary of the feedback. Your feedback has been incredibly useful, and has informed the content for the new website – as you will see if you fill in the survey…

Results of Positive Money supporters' survey

A big thank you to the 1570 people who took part in our supporter survey, it has been very useful to find out about you!

Here are a few stats:

43% people became interested in the monetary system because of financial crisis

34% found out about PM through our website

51% people think that the most important change we will see with our reforms is equality and social justice

Londoners - we're on Meetup.com

There are new groups starting in London! Meetup.com website is widely used by Londoners and it's a great way to let people know about Positive Money campaign. If you have attended some of the past Meetup.com events, please write a review here. This will help our groups grow and attract more people. See if there is a local group in your area and if you'd like to start one, let us know: mira@positivemoney.org

Upcoming Events

London, Fri 10 May - Transforming Finance Conference
New York, USA, Sun 12 May - Fixing our Broken Money System
West Yorkshire, Tue 21 May - Screening of “97% Owned” & Discussion
Hay on Wye, Sat 25 May - Modernising Money at HAY Festival Wales
London, Sun 26 May - “Sunday Papers Live” with Ben Dyson

Latest from the Blog

Bankers coin it while debt burden grows (Irish Times)
Is It True That Savers Are the Banks’ Creditors? (Handelsblatt)
Controversial Cyprus ‘bailout’ plan (Irish Times)
The veil of deception over money: How central bankers and textbooks distort the nature of banking and central banking (highly recommended reading)
Cyprus Crisis – Is Monetary Reform the Solution? (video)
It’s Official: There Is a Money Tree (Huffington Post)
Our Magic Money Tree: Fixing The Financial Crisis
Budget Day
Mervyn King & Co have a problem with Building Societies. Perhaps we can help.

Budget: Government slowly moving in the direction of Positive Money
New Documentary: “Jekyll Island” (Video)
Could We Accelerate the Post Reform Transition?
Dirk Bezemer about Positive Money
The alleged deflationary effect of full reserve banking
News from Ireland – Sensible Money
Economics and the Powerful – INET Conference (Video)
The Future of Central Banking – INET Conference (Video)
QE – one step closer to monetary reform?
Adair Turner’s Keynote Speech at INET Conference (Video)

New publication: The Positive Money Proposal

This new document presents on 34 pages a plan for monetary reform, that is described in much greater detail in the book Modernising Money.

The reforms are outlined from the perspective of an individual, a commercial bank and the central bank. The proposal gives also an accounting perspective and describes a method for transitioning from the current monetary system to the reformed system.

This is a more technical explanation of the reforms, intended for economists and people with an understanding of banking. Some of you may prefer to read the Plain English proposal.

Book "Enough Is Enough: Building a Sustainable Economy in a World of Finite Resources"

A new book Enough Is Enough from the Centre for the Advancement of the Steady State Economy identifies reform of the monetary system as one of the necessary changes that must be made to deal with the ongoing environmental crisis.

With a foreword by Professor Herman Daly, who also wrote the foreword for Positive Money's book Modernising Money, the book states that: "Globally, we are overusing the earth’s finite resources, and yet excessive consumption is failing to improve our lives. It’s time for a new kind of economy." and lays out a visionary but realistic alternative to "the perpetual pursuit of economic growth—an economy where the goal is enough, not more".

RUNNYMEDE GAZETTE EDITED BY;- FRANK TAYLOR, 2 CHURCH VIEW, ST GILES TERRACE. CHETTON, BRIDGNORTH, SHROPSHIRE, WV16 6UG; Tel; (01746) 789326
frankinshropshire@hotmail.co.uk