

Miscellany 57: Exorbitant Health Care Markups for the Uninsured; Donald Trump’s Bragging Rights; US Government Lies about the Rate of Inflation; Global Inflation; The End Result of Inflation; Dancing on the Head of a Pin; Is Obama A Natural-Born Citizen?; Home-Grown Terrorists; War and Wealth; Night-Light Rip-off; “I want my life back”; You Will Have to Read It to See What’s in It; Exorbitant CEO Pay; An Interesting Conspiracy Theory; The Price of Gas, and a Red Herring; US Jobs Recovery; The US Sports Monopoly; Why Israel Doesn’t Care about Peace; Faith-Based Initiatives; Islands for Sale; The Fukushima Nuclear Disaster; Crocodile Tears; Who Should Be Punished for Wikileaks?; The Severest Form of Punishment; Burning the Koran; Presidential Medal of Freedom; The World’s Biggest Scam?; Socializing the Costs and Privatizing the Benefits; Crimes against Humanity

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Commentary on recent news, reading and events of personal interest

Contents

Exorbitant Health Care Markups for the Uninsured	2
Donald Trump’s Bragging Rights.....	2
US Government Lies about the Rate of Inflation	3
Global Inflation.....	4
The End Result of Inflation.....	4
Dancing on the Head of a Pin	6
Is Obama A Natural-Born Citizen?	6
Home-Grown Terrorists.....	7
War and Wealth	7
Night-Light Rip-off	9
“I want my life back”	9
You Will Have to Read It to See What’s in It	9
Exorbitant CEO Pay.....	10
An Interesting Conspiracy Theory	11
The Price of Gas, and a Red Herring	12
US Jobs Recovery	13
The US Sports Monopoly	13
Why Israel Doesn’t Care about Peace	13
Faith-Based Initiatives.....	14
Islands for Sale	14
The Fukushima Nuclear Disaster	14
Crocodile Tears.....	15
Who Should Be Punished for Wikileaks?	15
The Severest Form of Punishment.....	16
Burning the Koran	16
Presidential Medal of Freedom	16
The World’s Biggest Scam?	16
Socializing the Cost and Privatizing the Benefits.....	22
Crimes against Humanity	22

Exorbitant Health Care Markups for the Uninsured

M. B. Pell wrote an interesting article in the April 17 and April 20, 2011, issues of the *Atlanta Journal-Constitution* about hospital markups (ratio of price charged to cost), “Hospital bills may add to your pain” (on April 17) and “Huge hospital markups burden patients” (on April 20).” Evidently the markups in the metro Atlanta area ranged from 157 to 702 percent in 2009. The burden of these high charges falls mainly on the uninsured: Insurance companies pay 30-60 percent above cost, but uninsured patients are charged massively larger markups. Medicare and Medicaid reimburse about 80 percent of the cost of services, and Medicare “supplement” insurance plans pay the remaining 20 percent. And most illegal aliens pay nothing at all.

I first encountered the phenomenon of massive medical markups for the uninsured when I returned to the US from working in Africa in 2005, and experienced a hemorrhage in the retina of my right eye. The “cryotherapy” (freezing using liquid nitrogen) procedure to seal the ruptured blood vessel took about 15 minutes in the doctor’s office, and I was charged about \$5,000. At the time of the retina procedure, I was not on Medicare and had no insurance. I had had group medical insurance while on assignment in Africa, but it ended shortly after my return to the US. I had attempted to obtain medical insurance, but pre-existing conditions were not covered and the cost for an individual was exorbitant.

A number of months after the retina procedure, the doctor’s office called me for some information, and I took advantage of the opportunity to enquire whether I had been charged their best rate (which I expected, since I was paying cash at the time of service). Reluctantly, the office rep informed me that I was not, and she told me that the bill would be reduced to about \$1,700. I never received a refund.

This is an absurd situation when a person paying cash at time of service pays several times what others pay. Our system of insurance-based health care is driving costs through the roof!

Donald Trump’s Bragging Rights

On the 20 April 2011 edition of the NBC *Today* television show, a contributor castigated Donald Trump’s suggestion that he might run for President of the United States, stating that all he brings to the table is an exceptional ability for self-promotion. Now Donald Trump is certainly not above “tooting his own horn.” He is a self-made billionaire, and he is the first to point out that this is because of his superior brainpower. It also has a lot to do with his personality.

The man criticizing Trump was evidently a Democrat. As he criticized Trump and tried to make light of Trump’s accomplishment of amassing a fortune of several billion dollars in real estate and other ventures, what came to mind immediately is a comparison of would-be President Trump to current President Obama. Obama has never held a “real” job in his life. He is a consummate politician. Before becoming US Senator and President, he worked as a “community organizer.” Politicians by nature are self-aggrandizing, egocentric individuals, who are continually asking people to elect them to office. Obama can rightfully claim to be an exceptional politician, having risen from nothing to high office, without accomplishing anything of substantial note in between. But somehow, this accomplishment appears to pale into

insignificance, compared to the accomplishment of having earned a billion dollars. Obama can claim to be a very adept politician, but little else. Trump can point to a very strong ability to get his way, and to acquire wealth.

While campaigning for the presidency, Obama promised “change,” but would never explain what he meant by this. We now know that he meant change in the direction of increased Socialism, Marxism and Communism, as reflected in the views of his many so-inclined advisors. As every President, Obama serves the interests of the wealthy elite who control the country – else he would not be President. He is a “socialist-fascist” (a fascist is one who promotes nationalism and a strong relationship between government and business). Trump, on the other hand, is a “capitalist-fascist.” The major difference between Obama and Trump, in my view, is that Obama is a proponent of the “politics of envy” – he would see the country destroyed economically, simply to reduce income inequality. Trump, on the other hand, is a proponent of the “politics of greed” – he will use political power to enhance the position of the United States.

US Government Lies about the Rate of Inflation

The US government continues to lie about the rate of inflation. Prior to 1980, the official government inflation rate was based on a reasonably broad “market basket” of goods. The current official government inflation rate omits food and energy components. On the 19 April 2011 edition of the Glenn Beck television program, Beck pointed out that under the current government definition, the official inflation rate is 2.7 percent, whereas under the earlier, broader definition, the rate is about 9.6 percent.

The government (and Ben Bernanke, Chairman of the Federal Reserve) promised never to monetize the debt (print money to buy government bonds), but that is exactly what the government is doing on a massive scale, with its euphemistically termed “quantitative easing” program, to print up to a trillion dollars. The unrestrained printing of money is causing and will cause serious inflation. Some argue that inflation affects mainly those with savings, by diminishing the value of their savings, while most other goods and services – and wages – rise at about the same rate. While this may be true in the domestic economy, it does not apply to anything that is purchased overseas, in any economy that is not inflating at the same rate relative to the dollar. In the Paris Charles de Gaulle Airport a few weeks ago, I paid ten euros, or about 15 dollars, for a small bottle of orange juice. This exorbitant price is the result of the fact that the US dollar is shrinking fast, relative to the euro. (A euro was worth about 80 cents a few years ago, and is now worth about \$1.40.) The only reason why we have not seen greater inflation domestically is that there are many deflationary factors strongly present in the economy, such as the collapse of the housing market and the Great Recession.

(Note that I am using the term “print money” in a general sense. Quantitative easing actually involves creation of money electronically, not by printing banknotes. A more restrictive use of the term refers to using newly created money to cover government deficits or to pay off government debt (i.e., to “monetize” the debt). The distinction is a little artificial, since money is fungible. Quantitative easing is used when traditional central bank actions in monetary policy become ineffective – for example, lowering the discount rate is ineffective when it is already close to zero.)

The Federal Reserve is the United States central bank. It is a cartel / monopoly of private banks that controls the US money system, ostensibly independently of the US government, but in fact

in concert with it (since the moneyed interests control the government). If it expands the money supply at a rate commensurate with the growth of the economy, inflation is low – just sufficient to cover the interest rate on loans. At the present time, the Federal Reserve is in the process of printing approximately one trillion dollars, under the rubric of “quantitative easing.” This printing of so much money so fast represents the theft of one trillion dollars from the value of citizens’ savings. There are millions of people in prison for many years for thefts far smaller than this. All members of the Fed, and all members of government complicit in the current massive inflation of US money, should be similarly punished, for this massive theft from the US people. Will they be punished? Will they even be charged? Of course not. The government – the legislative, judicial and executive branches – are all controlled by the same powers who control the Fed. No one will be punished for this crime, except of course, its victims – the people who will see their savings drop in value by twenty percent or more because of it.

I have addressed here inflation caused by printing money. Another major source of inflation is the fact that the US no longer produces the products that it uses, and it has little to trade to foreign countries, such as China, for them.

Global Inflation

The US government has just approved the printing of a trillion dollars, as a “quick fix” to the budget crisis. I heard recently (24 March 2011), it was reported that Japan was planning to print 309 billion dollars to address its budget problems, and that the International Monetary Fund is encouraging central banks around the world to print large amounts of money, so that the US and Japan’s currencies will not be unduly diluted by their printing large amounts of money. Can this be true?

The End Result of Inflation

At low levels, such as 1-2 percent per annum, inflation simply represents a slow drain on the value of money. At these levels, inflation has greatest impact on older people of modest means. Their future earnings are limited, they must depend on their savings for their retirement years, and the value of their savings (or fixed incomes such as retirement annuities) will shrink rather slowly relative to their remaining years. At these low levels, however, it still makes sense to save for retirement. At higher levels, inflation makes it impossible for an average wage earner to save money for retirement. There is no point to it, since the value of money saved when one is young is essentially worthless when retirement age is reached. Much greater utility (pleasure) is obtained from spending one’s earnings as they are earned. The only hedge against inflation is to accumulate assets whose monetary value appreciates at or above the rate of inflation. Most of the population does not accumulate wealth through investment, but by modest savings of earned salaries or wages, or purchase of a home.

Until now, the US government’s response to the financial crisis has been simply to print money (to fund bail-outs, monetize the debt, effect “quantitative easing”). It has not raised taxes, and it has not reduced expenditures, and the government deficit is rising rapidly. This policy has already caused some inflation, but not much, because of the presence of strong deflationary pressures (viz., the collapse of the housing market, the recent recession). If the government continues this policy, inflation will rise to high levels. The government has transferred massive

amounts of money to large financial organizations, such as banks, that were deemed “too large to fail,” for fear of causing an even more severe crisis. There is no sign that it will deviate from this policy. It has not raised taxes, but there are “rumblings” that it will do so. In any event, this will not address the problem – the point is that the government is spending too much, and the country no longer manufactures the products that it uses. It has strongly resisted making any significant reduction in expenditures, or in retaining manufacturing in this country (in view of its long-standing policy of massive international free trade).

In recent times, the government has lied about the level of inflation, by leaving out major components of consumer expenditures, such as food and energy. Soon, under its current policies for dealing with the financial crisis, it will not matter whether it does this or not. The rate of inflation will soar to very high levels. At some point, saving will stop. The incentive will be strong to spend money as soon as it is acquired. Most people, who are not investors or entrepreneurs, will not be able to survive in this environment, and will reach retirement with little or no assets, except perhaps for a home and whatever Social Security payments they receive.

The US government is printing money by the trillions of dollars. An era of extreme inflation is just ahead. It is estimated that the real rate of inflation is presently about ten percent. If current government fiscal and monetary policy continue, this will soon soar to twenty or thirty percent, or more. The value of people’s savings (e.g., saving accounts, Individual Retirement Accounts) will soon shrink very much. Very soon, most of the US population will be living on their Social Security payments, and little else.

The government evidently believes that it can “buy” its way out of the current government deficit simply by “inflating the debt away.” While this approach would work if all government debt were owed to US citizens and firms, it will not work in today’s situation, where much of the debt is held by foreign interests, such as China, Japan, and other foreign entities. Traditionally, the interest rate on bonds is a little higher than the inflation rate. As the rate of inflation increases, the bond interest rate will rise correspondingly. Compound interest is an exponential process. Any closed system that allows charging of compound interest on loans will result in one of two outcomes: (1) the lenders eventually own all of the money; or (2) for the system to continue to operate, loans must be defaulted, or forgiven, or money transferred from the lenders to the borrowers (e.g., through tax transfer payments). In today’s modern economy, which is based on compound interest and debt-based money, bankruptcies occur on a regular basis, and much money is transferred from the wealthy to the poor via “transfer payments.” These things must occur, or the system cannot continue. This activity occurs both intranationally and internationally.

Examples of international bankruptcies are the recurring forgiveness of foreign assistance loans, when the borrower countries reach the point where they can no longer pay the compounding interest charges. The US has just about reached this point. It must make profound changes in its economic system (e.g., start to manufacture what it uses, or what other nations wish to purchase), or it will soon default on its debt, or “declare bankruptcy.” Unfortunately for the US, it has allowed its industrial capacity to be transferred to other countries, and it no longer produces goods or services that the rest of the world wants to trade for the goods and services that they produce. I was in a Bed, Bath and Beyond store a few weeks ago and examined the labels of about twenty products. Eighteen were made in China, one in Vietnam, and one in Mexico. None were made in the US. The US government will not be able to solve the current financial crisis either by increasing taxes or by reducing government or consumer expenditures. The only way out of the crisis is to produce goods that other

countries are willing to trade for the products that we purchase from them, or go to war to destroy them.

The US as we have known it is about to cease. The collapse of the present system is imminent. If the US is to survive in a different, viable, form, it must make some profound changes in its economic system. It must dramatically modify (e.g., nationalize) its large health and domestic assistance programs, such as Medicare and Medicaid. It must dramatically reduce the size of its military budget (e.g., by cancelling military operations in Iraq, Afghanistan, and Libya, and ending its global system of military bases (see *Nemesis: The Last Days of the American Republic* by Chalmers Johnson (Holt, 2007) for more on this last action). It must start to produce the goods that it uses (since other countries can produce them at much less cost, it must terminate foreign trade). It must end mass immigration, and reduce its population to a level that can be supported by solar energy (less than 100 million). It must terminate mass use of automobiles. Or, it can do none of these things, and see what happens. What will happen is war, on a grand scale.

Dancing on the Head of a Pin

On April 7, 2011, the Democrats and Republicans of the US Congress heaped heavy praise on each other for avoiding a government shut-down, by passing a budget bill at the last minute. The bill reduced Obama's proposed budget by 31 billion dollars. At present, the budget deficit is estimated to be 1.2 to 1.4 trillion dollars. That works out to about 30 billion dollars a day. Congress spent a month arguing about a one-day deficit amount! What the Democrats and Republicans accomplished is a laughing stock. They have not accomplished anything. The country is in a serious financial crisis, and the government is going to have to reduce spending by massive amounts, if it wishes to avoid bankruptcy. Bragging about reducing the budget by 31 billion dollars, when reductions of at least ten times that amount are necessary, is like arguing over the number of angels who can dance on the head of a pin. Nero – our government – is indeed fiddling while Rome burns.

The US government is now in the same position as a person who has maxed out his credit card and can barely manage to make the interest payments. He cannot increase his income, and the interest amount will continue to grow. He has no alternative but to declare bankruptcy. The US government will soon, in effect, declare bankruptcy. Its current ploy of printing a trillion dollars in a feeble attempt to deflate the value of the debt will fail, because much of the debt is owed to foreign governments, who, unlike the American citizenry, will not tolerate seeing their debt devalued by the debtor.

Is Obama A Natural-Born Citizen?

On the NBC *Today* show on April 20, Matt Lauer asked Louisiana Governor Bobby Jindal whether he believed that President Obama was a natural-born citizen, and therefore entitled to be President. Governor Jindal stated that yes, he believed that Obama is a citizen. Obama repeated the question. Jindal again stated that he believed that Obama is a citizen. Not once did he state that he believed that Obama is a *natural-born* citizen.

The controversy over whether Obama is a natural-born citizen will simply not go away. All that the State of Hawaii will do is issue a “certificate of birth,” which represents their assertion that the birth certificate exists. Why does the state not issue a certified copy of the birth certificate, as other states do? The claim is that the original is “bound” and therefore cannot be copied. This does not make any sense at all. It is a lie. Copies of bound pages are made all the time.

It appeared for a while that the controversy over Obama’s birth status had died down, until Donald Trump brought the issue to the fore again. Why does Hawaii refuse to settle this issue?

Update 27 April 2011. President Obama today released a copy of his birth certificate. It shows that he was born in Honolulu, Hawaii, on August 4, 1961, and that his mother was Stanley Ann Dunham. This should put the matter to rest: Obama is a natural-born citizen and was of age over 35 at time of taking office. This incident begs two questions. First, why was the issue of his birth status not addressed prior to his acceptance as candidate for office of the Presidency? And second, why did he refuse to clear up the issue when it first arose? Why did he choose to let it drag on and on and on? In the White House statement accompanying the release, White House Communications Director Dan Pfeiffer stated that “It may have been good politics and good T.V., but it was bad for the American people and distracting from the many challenges we face as a country.” Yes, it was bad for the American people and distracting. So why did the President do it?

Home-Grown Terrorists

On the NBC *Today* show on April 20, Secretary of Homeland Security Janet Napolitano observed that the US now has a problem with “home-grown” terrorists. Most of the acts of terror against the United States have been committed by Moslems. There are presently about two million Moslems in the US. Some of them are illegal aliens, but most of them gained access through the US government’s policy of mass immigration from all cultures. A country that is homogeneous with respect to language, religion, race and ethnicity is much more secure than one that is highly heterogeneous on these factors. Why is the US government following a population policy that leads to high instability and insecurity?

I visited France in 1965 for several weeks, and I was recently there once again on a short vacation. In 1965, the French population was very homogeneous – French speaking, secular Catholic and white. Today, the population is obviously very heterogeneous – in Paris, walking on the streets, there were many blacks, Asians and Middle-Easterners. There are an estimated 4.5 – 7 million Moslems in France – about 5-10 percent of the population. The presence of such a large Moslem minority is destabilizing France. Large riots have been caused by Moslems, and many are refusing to adopt French culture (Catholic religion or western dress).

There are now large Moslem populations in the United Kingdom and many other European-culture nations. Islamic religion and culture believe in and actively promote the destruction of all other competing religions and cultures. Why are these nations committing cultural suicide?

War and Wealth

In times past, the major reason for war was human overpopulation. While that is still true today, there is another factor hard at work. In his prescient book, *1984* (written in 1949), George Orwell observed that a major function of war was to “use up” industrial overproduction. With modern technology and energy, modern industrial society could produce far more goods than could be consumed, and war is necessary to destroy the overproduction, keep people working, and generate wealth for the controllers of society. Overproduction was a major cause of the Great Depression, when the US industrial machine had saturated the domestic market with cars and other machines, and the rest of the world had little that we wanted or needed to trade for these products. The Second World War solved this problem. After the war, the powers that were saw that it was desirable to industrialize the rest of the world to promote trade and generate much more wealth.

The US and the developed western world have not seen large-scale war for a long time. The US has kept minor regional wars going since World War II, but these wars have not succeeded in sopping up overproduction. The lack of large-scale war over a long time period has resulted in the accumulation of vast wealth for the wealthy elite, while the standard of living for the middle class in the US and parts of the economically developed western world has declined for several decades.

Here is a summary of a *Forbes* magazine article on billionaires, written by Nikola Kastev of Radio Free Europe / Radio Liberty on March 11, 2010:

“The editor in chief of *Forbes* magazine, Steve Forbes, says the number of new billionaires in the world is a sure sign that the global economy is recovering from its brush with disaster.

“The number of billionaires has gone from 793 last year to 1,011 this year, almost to where it was [in] the record level of 2008,” Forbes told reporters at a new conference in New York to announce the magazine's annual ranking. “The overall net worth of these billionaires is \$3.6 trillion, up from \$2.4 trillion just a year ago – a 50 percent increase.”

When I was young, as I recall, there were just two billionaires (in US dollars) – Howard Hughes and J. Paul Getty. Now there are over a thousand. Taking into account inflation (since 1950) would reduce the current number of dollar billionaires substantially, but the fact remains that the absolute number of people with extraordinary wealth is growing.

A problem generated by the presence of a large number of people with extreme wealth, when most of the world's population is mired in poverty and misery, is the instability it causes. As the standard of living has increased for billions, taking them out of direst poverty, they become more and more aware of the highly skewed wealth distribution, and the “politics of envy” comes into play – the motivation for the poor to destroy the wealth of the wealthy, even if their own position is not improved. So, in addition to the ever-present incentive to wage war to consume excess production, there is a growing incentive to wage war to destroy wealth. The politics of envy is a major factor underlying the motivation of Islamic terrorists to destroy the economically developed west.

Wars initiated by the wealthy are intended primarily to consume excess production (of people and material products). They may be large-scale wars or guerilla wars, as long as they do not get out of control and threaten the wealthy (and increase their wealth, either relatively or absolutely). These wars are associated with the politics of greed – the waging of war for economic gain and retention of power by the wealthy. The wars initiated by the dispossessed, i.e., because of the politics of envy, are prompted to destroy wealth and the wealthy.

Night-Light Rip-off

A few years ago (1998, during the great Canadian ice storm), while visiting relatives in Canada, I purchased a number of light-emitting diode (LED) night lights for a Canadian dollar each. At the time, the Canadian dollar was worth about 62 cents US, so the price of the night lights was about US 62 cents each. At that time, Canada imposed a value-added tax of about 17 percent, so the price, exempt of VAT, was about 53 cents US. This type of night light was rarely seen in the US. It lasts for tens of thousands of hours and consumes extremely little electricity. Instead, US night lights were almost invariably low-watt incandescent (filament) bulbs that do not last long (e.g., 1,000 hours) and consume a lot of electricity. They fit well into the US culture of unnecessary consumption and waste, because they were expensive in the long run (since they burn out fast) and consume much electricity.

In January, I noticed LED night lights for sale in the local Publix supermarket (FEIT Electric Eternalite Night Light, FEIT Electric Company, 4901 Gregg Road, Pico Rivera, CA 90660-2108, Made in China. Order No. NL34/LED. 100,000 less than 25 cents per year to use.). The price was \$5.49. Ten times as much as the price in Canada. What a rip-off.

“I want my life back”

At the height of last year’s Gulf of Mexico oil spill (May 31, 2010), then British Petroleum Chief Executive Office Tony Hayward famously remarked, in response to hearing of the tremendous cost and suffering caused by the spill, “I’d like my life back” (full quote: “I’m sorry. We’re sorry for the massive disruption it’s caused to their lives. I’m... You know... We’re... There’s no one who wants this thing over more than I do. You know, I’d like my life back.”).

In July, BP announced that Hayward would receive a severance package of 18 million dollars. Capitalist society rewards its own richly, no matter what happens on their watch.

You Will Have to Read It to See What’s in It

Last year (March 10, 2010), prior to passage of the 2,000-page “Obama” health care bill, House Majority Leader Nancy Pelosi famously remarked, “We have to pass the bill so that you can find out what is in it, away from the fog of the controversy.” This is the height of arrogance.

On May 13, Attorney General Eric Holder testified to the House Judiciary Committee that he had not read the Arizona immigration enforcement law that he had recently criticized. Here follows a quote from Fox News (14 May 2010):

‘Despite repeatedly voicing concerns about Arizona’s new immigration enforcement law in recent weeks and threatening to challenge it, Attorney General Eric Holder said Thursday he has not yet read the law – which is only 10 pages long.

"I have not had a chance to – I've glanced at it," Holder said at a House Judiciary Committee hearing when asked by Rep. Ted Poe, R-Texas whether Holder has read the state law cracking down on illegal immigrants.

"I'll give you my copy of it if you would like," Poe responded.

'Holder told reporters last month that he fears the new law is subject to abuse and that the Justice Department and the Homeland Security Department are in the midst of conducting a review.'

The country's leaders are truly a sorry lot.

Exorbitant CEO Pay

People are asking more and more why no one who caused the recent Great Recession has been punished for all of the pain and suffering they have caused to millions of people. The recession was caused by intense greed on the part of the leaders of our country, particularly in the financial sector. In fact, not only is no one being punished, they are being rewarded just as in the past. Here follow comments by Zachary Roth, appearing on *Yahoo! News* on April 20, 2011.

Remember the outrage over lavish Wall Street bonuses doled out in the wake of the financial crisis? The brouhaha supposedly put an end to the outrageous pay packages enjoyed by many American CEOs – and not just in the financial sector.

But over two years later, very little has changed. A new website launched by the AFL-CIO, aimed at focusing public attention on excessive executive compensation, touts some shocking numbers. Among them:

Last year, total compensation for CEOs averaged \$11.4 million, up 23 percent from the previous year, according to data for 299 major companies.

CEOs at those 299 companies raked in a total of \$3.4 billion. That's enough to support over 100,000 jobs that paying the median wage of just over \$33,000.

Average CEO compensation is 343 times that median wage.

Ray Irani (pictured), the outgoing CEO of Occidental Petroleum Corp., took in \$76.1 million in compensation last year. Over the last decade, he received \$857 million. "We're not in the business to employ people. We're in the business to make a profit," Irani has said, according to the AP.

Even at large financial services companies -- where the furor over bonuses was focused – total compensation rose 5.7 percent in 2010, to a record \$149 billion.

The numbers above include base salary, bonuses, stock awards, and any other form of compensation.

The site, Executive Paywatch, allows users to search for specific companies and find out how much their CEO was paid. For instance, it says that G.E. CEO Jeff Immelt, who also serves as President Obama's "jobs czar," took in \$21,428,765 in total compensation last year.

The Dodd-Frank legislation passed by Congress last year included several provisions aimed at making it easier for shareholders to rein in excessive executive pay. For instance, it required companies to publicly disclose the ratio between CEO pay and the pay of their median worker.

The AFL-CIO's campaign comes at a time of increased concern over growing inequality. As we've noted, the income of the richest 1 percent of Americans has exploded over the last 30 years, while income growth for the bottom 90 percent has remained barely budgeted.

[End of Roth piece.]

It would appear that modern capitalism is simply an elaborate game for the wealthy, in which most people are simply hard-working drones whose sole function is to produce more wealth for the wealthy.

An Interesting Conspiracy Theory

On April 22, 2011, on his Fox News television show, Glenn Beck presented an interesting hypothesis to explain why President Barack Obama has been allowed to surround himself with socialist, Marxist and communist advisors. Beck theorized that Obama has been deliberately, purposefully and willfully allowed to do this as part of a plan for a subsequent “top-down” takeover of the US government. The scenario is that Obama and his socialist / Marxist / communist colleagues will be given free rein to implement their plans for change in the direction of more socialism until the point at which the American people become highly outraged at the developments. At this point, when the people are almost at the point of “grass roots” revolution, the controllers will step in – at the urging of the citizenry – to save the country and restore the Constitution by removing Obama and all of his socialist / Marxist / communist advisors. The takeover must be planned and orchestrated from the top, but it must appear to come from the bottom. The reason for this approach, rather than a unilateral top-down coup d'état or support for a “grass roots” (“bottom-up”) revolution, is to avoid damage to the industrial engine of America (which an uncontrolled popular revolution would surely cause). The plan is to keep the country's industrial infrastructure intact and accomplish an essentially nonviolent takeover of the government.

The “bombshell” aspect of Beck's hypothesis is that the controllers would ask Hillary Clinton to take over as President. The rationale for this viewpoint is that many of Obama's current advisors previously worked for the Center for American Progress, which she helped form in 2003, along with George Soros and John Podesta. That is, Obama's colleagues are all players in the plot, but some of them will be killed or made scapegoats at the time of the takeover.

While this theory is interesting and is consistent with many known facts, there is one aspect of it that remains unexplained. That is the fact that the wealthy elite *already* control the US government. The US is at present strongly fascist – a government that is strongly nationalist and controlled by business interests. This situation begs the question: Since business interests are already in full control of the government, how would their interests be advanced by this undertaking? Beck fails to address this issue. A possible explanation is that the financial interests planning the takeover reside outside the United States (e.g., George Soros), whereas the interests in direct control may reside within the United States. In this case, the external interests would have an interest in a takeover, to wrest control of the country from the domestic

financial interests. This possible explanation would be consistent with a move to a one-world government, with the United States part of it but not in control of it.

In this scenario, Hillary Clinton must deny knowledge of the socialist / communist takeover by Obama's minions, and she must not appear to be part of this action. At the present time, Ms. Clinton has stated that she plans to retire from public office (e.g., has no plans to continue as Secretary of State in a second Obama administration, and is not seeking the Presidency), and that she plans to turn to working with a foundation to promote the welfare of girls and women (see a recent issue of *Vanity Fair* for more on this). These recent statements fit right in with the conspiracy. She has deniability. She is not seeking the Presidency and has no plans to do so. It will come as a "complete surprise" to her when she is drafted to that office, after the take-down of Obama and the Marxists / socialists / communists. Reluctantly, out of a sense of duty, as a latter-day George Washington, she will accept the office, and "restore the Constitution."

Beck's scenario brings to mind the quotation attributed to Huey Long that when fascism comes to America, it will be draped in the American flag. This quote applies aptly to the efforts of recent US presidents to privatize aspects of government (such as Fannie Mae), deregulate banking (e.g., by allowing commingling of commercial and investment banking, and by preventing regulation of financial derivatives), and bail out large financial firms in the recent recession, excused by George W. Bush as a minor departure from free enterprise to save free enterprise. These actions were taken in the name of promoting freedom and private enterprise, yet they greatly increased the control of the government by financial interests.

The Price of Gas, and a Red Herring

On the NBC *Today* television show on 23 April 2011, President Obama declared that he will investigate whether fraud and speculation are involved in the rising price of gasoline, now at a US average of about four dollars per gallon. He made no mention of the fact that global oil production has peaked, half of the planet's oil reserves have been exhausted, and global production is about to start its long decline as the remaining reserves deplete (i.e., we are at the Peak of Hubbert's Curve of global oil production). As global production starts to decline, because supply is exhausting, the price will of course rise, and there will naturally be some speculation, and fraud is always with us. These are simply symptoms of the fact that the supply of oil is declining and the demand is increasing (both because the human population is increasing and large less-industrially-developed countries such as China and India are industrializing). In vowing to seek out fraud and speculation, in face of the real problems which he refuses to identify or acknowledge, Obama is simply throwing out a "red herring." He is engaged in lies, dissimulation, deception and deceit. The fraud in this situation lies with him. The world's oil reserves are finite. They are of approximately known magnitude, and the rates of discovery and consumption are also known. It has been known for a long time that the Petroleum Age will last only about 100 years, that it is now about half over, and that global production of oil is soon going to decline. The problem is not and has never been too little oil – the quantity has been fixed, and will support global industrialization for only a short time. The problem is too many people. In particular, too many "high tech" people that consume prodigious amounts of energy.

If there is any theft going on here, it is the US government's theft of the value of money, by printing vast amounts (bailouts, "quantitative easing"). The price of gasoline is going up in part because the US government is devaluing the US currency. The price of everything is rising

because of the government's printing of prodigious amounts of money. The price of gold is going up because the government is printing money. The only reason why the stock market has been relatively "flat" over the past year is because the government is printing money – otherwise it would be falling. Oil is priced by OPEC in dollars, and if the dollar is devalued, OPEC will quite naturally raise the price. If President Obama wants to identify someone who is causing the price of oil to go up, the leading culprit is Ben Bernanke, chairman of the Federal Reserve.

US Jobs Recovery

On the 3 September 2010 edition of the NBC *Today* television show, it was reported that the US economy needs to have about 200 thousand additional jobs created every month, just to keep up with expanding population. This works out to about 2.4 million jobs per year. The US government population policy at present is massive immigration, to the tune of about three million people per year. There would not be a need for any additional jobs if we adopted a policy of zero immigration. There are an estimated 12-20 million illegal aliens in the country, many of them in the labor market. Immediate deportation of all of them would create perhaps 10 million job openings. Why does the US government not take serious steps to end the unemployment crisis?

The US Sports Monopoly

In September of 2010, it was reported that the LA Dodgers sports franchise was in the midst of a nasty "divorce" settlement. The US government operates a monopoly for all major sports, such as football, baseball, basketball and hockey. Under this scheme, only wealthy investors are allowed to operate large teams. As part of this scheme, large cities spend billions in public funds to build sports arenas, using public money, and often condemning private property to do so. Developers make millions in these deals. (For example, former President George W. Bush was paid about 17 million dollars to lend his name to the development of a stadium in Texas. The land for the stadium was obtained by condemning the Mathes horse ranch (owned by the owners of the Curtis Mathes television company) – see David Cay Johnson's *Free Lunch* (Penguin, 2007) for many more examples.) The result of this monopoly is to drive ticket prices to very high levels. In the US, the cost of a ticket to a football game is many times the cost in the United Kingdom, which does not monopolize sports. Under this scheme, the wealthy reap fabulous profits, and the average citizen pays through the nose.

Why Israel Doesn't Care about Peace

The September 15, 2010, issue of *Time* magazine ran a cover story entitled, "Why Israel Doesn't Care about Peace." Israel doesn't care about peace because it profits immensely from a chronic state of near-war. The US government, under control by the "Jewish Lobby," transfers billions of dollars to Israel each year. This subsidy would be hard to justify if Israel made peace with its Moslem neighbors. It would, of course, still continue, but it would be harder to justify.

Faith-Based Initiatives

Former President George W. Bush used to promote what he called “faith-based initiatives.” Some people believe that it is acceptable to believe in a religion for no reason at all. Such religions are impossible to defend logically and difficult to respect. Logic-based, experience-based, knowledge-based belief systems have more to recommend them. I have faith in the Rand-McNally Atlas. I have visited many of the places listed in the Atlas, and they have always been there. I have faith, based in many years of experience, that the places that I have not visited are also there. I have faith in Einstein’s Theory of Relativity because I have read a description of it, and it appears to fit the facts very well (even though I have never conducted an experiment to prove it).

Islands for Sale

When I was young, the population of Canada was about 15 million and the population of the US was about 150 million. There was much open land. You could hike, hunt and fish in many beautiful places, for free. You could purchase lots on lakes near many cities, at low cost. You could enjoy National Parks and wild rivers without having to make reservations a year in advance.

All of that is changed now. Because of a massive increase in the population, most natural places are now occupied. I read recently (6 September 2010) where private islands are now selling for 1-2 million dollars apiece. Such prices occur only when there is short supply or high demand. The supply is fixed, so the price is high because of high demand – too many people. Economics is the science of scarcity. Prices rise, and economic control enters the picture, when populations soar, and things become scarce. A king’s glory is in his population, not just for cannon fodder, but because overpopulation causes scarcity, and generates wealth for the controllers.

Too many people ruins everything.

The Fukushima Nuclear Disaster

The Japanese Fukushima nuclear disaster, which is now ranked with Chernobyl in severity, demonstrates well how little people care about others. This phenomenon is called “discounting in time and space.” If people who are suffering are located far away in time or space, we tend not to be terribly concerned. We care only about ourselves. There is at present a great outcry over the massive radiation poisoning being caused by the recent Fukushima nuclear disaster in Japan. This outcry is because it affects the living. Much of the radioactivity is coming from radioactive waste. We are generating tons of radioactive waste, which will impose great suffering on future generations of human beings for tens of thousands of years to come. Where is the massive outcry and outrage over this? No one cares. They care only for their own wretched little existences and souls.

Crocodile Tears

On 18 September 2010, during a visit to London, Pope Benedict expressed concern for the children who were victims of the Catholic pedophile scandals. Of course he is concerned for these innocent victims. But it is very clear that he and the Catholic Church are much more concerned about the reputation of the Catholic Church, else he and the Church would have prosecuted the offending priests much more vigorously.

Who Should Be Punished for Wikileaks?

The April 4, 2011, issue of *People* magazine presented an article about Private Bradley Manning, the soldier who disclosed much military-confidential material to Wikileaks, the organization directed by Julian Assange ("Private Bradley Manning: The Soldier behind Wikileaks?"). The article describes Manning as a nonconformist person who has disdained authority from childhood. Although these facts about his personality were well known, the Army chose to place him as an Army intelligence analyst near Baghdad. They knew that he was not trustworthy, obedient or conformist, yet they gave him access to massive amounts of sensitive material.

Some people are saying that Manning is a "whistleblower" who should not be punished. Others view him as a traitor who should be put to death. In my view, Manning, as a soldier, had a responsibility to do his assigned job. What he was required to do was in no way a "crime against humanity." He was not being asked to shoot or incarcerate civilians. He was being asked safeguard classified material. If he did not want to do this, he could have refused. Today's Army is a volunteer army. He was not drafted; he chose to enlist. In my view, Manning is guilty of treason, and should be punished accordingly.

At the same time, it is my view that those who put him in charge of the classified material, in full knowledge of his disrespect for authority, should be punished in exactly the same way. All of them, all the way up to the Commander in Chief.

Recently, Homeland Secretary Janet Napolitano remarked that we are now seeing more "home-grown" terrorists. This is understandable. Almost all terrorist attacks against the US in recent times have been by Moslems. There are presently about two million Moslems in the US. The US government operates a system of open borders, with massive international trade. Tens of thousands of Moslems have been granted security clearances. The US government is deliberately increasing the size of the Moslem population in the US. These policies and actions will increase the vulnerability of the US to terrorist attack. The people who have initiated, approved, and implement these policies are as guilty of the terrorist attacks, such as the 9/11 attack on the Twin Towers, as the those who executed them. Whatever punishment is doled out to the attackers should be imposed also on those who created the conditions under which they became very easy to do. All of them, up to the President.

The President takes an oath of office to defend the country from invasion, yet every President since Eisenhower has allowed millions of invaders (illegal aliens) into the country, and made no serious effort to repel them or deport them. The current President (Obama) and all recent Presidents since Eisenhower are guilty of high treason, dereliction of duty, and malfeasance in office. They should be tried for treason, and, when found guilty, punished in the severest way

possible. Under their leadership, the country's population has soared from 180 million to 310 million. By their actions and policies, the country's culture and environment have been destroyed.

The Severest Form of Punishment

The US now incarcerates about 2.2 million people – about one percent of its adult population. It incarcerates more of its citizens than any other country in the world. One reason for this is the large amount of economic activity generated by the penal system. I propose the elimination of all involuntary long-term incarceration. I would empty our jails and prisons, immediately. For offenses against society, in which satisfactory restitution is not an option, I propose voluntary enrolment in short-term (less than one year) education and training programs. For serious offenses, or cases in which voluntary enrolment is refused, even after a short stay in a US prison camp, I would banish offenders to Mexico or Cuba. Why not? Mexico has promoted the invasion of our country by 12-20 million illegal aliens. Cuba has released its prisoners to the US. This use of Mexico or Cuba as countries of exile would simply return the favor, and it will get the US out of the grisly business of executing its own citizens and incarcerating them in greater numbers and for longer terms than any other country in the world.

Burning the Koran

On April 23, General David Petraeus, commander of US forces in Afghanistan, remarked that the Koran burning on March 20 by Florida pastor Terry Jones was endangering the lives of US soldiers in Afghanistan. While that may be so, the real danger to these soldiers is the war in Afghanistan. President Obama and General Petraeus are much greater threats to the safety of US soldiers than Terry Jones will ever be.

Presidential Medal of Freedom

On February 26, 2011, Greenville television station WYFF station manager presented an editorial about the award of the Presidential Medal of Freedom by President Lyndon Johnson to Whitney Young, Executive Director of the National Urban League. On the one hand, Johnson promoted passage of the 1964 Civil Rights Act, to reduce racial discrimination. On the other hand, he promoted Affirmative Action, a blatantly racist program, and he honored Young for his racist efforts to promote blacks. The NAACP decries acts of racism by non-blacks, while it works ceaselessly to promote the position of blacks. The NAACP is a blatantly racist organization, with a blatantly racist name. If racism is wrong, it is wrong. How can it be right for Whitney Young, the NAACP, and the Congressional Black Caucus to undertake racist efforts to promote the welfare of blacks, and the Anti-Defamation League to promote the welfare of Jews, and wrong for others to promote the welfare of whites? The pot is calling the kettle black.

The World's Biggest Scam?

It is amazing how complacent the US citizenry has been, in acquiescing to what has been perhaps the greatest financial scam in the history of the world. The scam was perpetrated by the US government, at the behest of its wealthy controllers. The scam was implemented through financial institutions, including banks, investment firms, and Fannie Mae and Freddie Mac, the government-sponsored home mortgage insurers. There are two major parts to the scam, one involving the housing market and the other involving the financial derivatives market.

The Housing Market Scam

The Federal National Mortgage Association (FNMA, "Fannie Mae") is a federal agency ("government-sponsored enterprise") set up following the Great Depression, to promote home ownership. For a fee, the Federal Housing Administration (FHA) would insure home mortgages against default. Fannie Mae would purchase the mortgages for FHA-insured homes. This created a liquid "secondary mortgage market" – private banks would set up mortgages, the FHA would insure them, and Fannie Mae would purchase them. For thirty years following its founding in 1938, Fannie Mae had a monopoly on the secondary mortgage market, and the system worked very well. Then, in 1968, Fannie Mae was converted to a publicly held corporation. A primary reason for doing this was to ostensibly remove its debt from the federal budget. This was a deception, because it was common knowledge that Fannie Mae was implicitly insured by the government. Another reason for the change was to generate vast riches for the Fannie Mae leaders. For example, a recent head of Fannie Mae, Franklin Raines, was paid 92 million dollars – 20 million in salary and bonuses in 2003 alone. Prior to 1968, the leaders of Fannie Mae were civil servants, receiving modest civil-service salaries.

Shortly after Fannie Mae was privatized in 1968, a new organization, the Federal Home Loan Mortgage Corporation (FHLMC, or "Freddie Mac") was set up. The ostensible reason for the creation of Freddie Mac was to provide "competition" for Fannie Mae, and to "expand" the secondary mortgage market.

The rationale for privatizing Fannie Mae was very weak. The mechanism which enabled it to work was the FHA insurance of qualified mortgages. This was government insurance, and the agency should logically have remained a government agency. Converting Fannie Mae to a private enterprise was mainly a mechanism to enable large salaries to be paid to privileged people appointed to lead it. It did not promote the efficiency, effectiveness or security of the government's mortgage insurance program.

The conversion of Fannie Mae to a publicly held corporation was a scam, but it is not the scam I am referring to. This scam resulted in the transfer of millions of dollars to favored individuals, and that is bad enough. The really substantial scam started in 1992, when President George H. W. Bush signed the Housing and Community Development Act of 1992. Under this act, both Fannie Mae and Freddie Mac were directed to dramatically expand the provision of mortgages to lower-income families. Under President Bill Clinton, the pressure for Fannie Mae and Freddie Mac to provide mortgages to lower-income families was increased. Eventually, loans were indiscriminately provided to virtually anyone who applied. These loans were referred to as "NINJA" loans – "No income, no job, no assets," or "Liar loans," because the loan documentation was often fraudulent (not simply on the part of the loan applicant, but on the part of the loan processor). The private commercial banks who initiated the loans assumed no risk, because they could immediately sell ("flip") the mortgages to Fannie Mae and Freddie Mac. This was the scam – banks would set up risky loans and sell them immediately to Fannie Mae and Freddie Mac. The implicit understanding was that the US government would guarantee these loans, if they ever defaulted. The banks incurred no risk, so they issued mortgages to

anyone, qualified or not. Because massive numbers of loans were issued to unqualified purchasers, the price of housing soared. Eventually, however, this scheme collapsed, as large numbers of unqualified buyers defaulted. (The housing development where I live started about 2004, at the height of the practice of granting loans to unqualified buyers. When the bubble burst in 2007, about one-third of the homes in my development were foreclosed on. In a number of cases, the purchasers never made even a single mortgage payment. They simply moved in and lived in the homes until they were evicted. They often trashed the homes, which dropped tremendously in value.) When the housing market collapsed, the government stepped in and bailed out the banks. This bailout cost the US taxpayer on the order of half a trillion dollars.

The banks would never have made these highly risky loans to unqualified buyers, if they could not have immediately sold the mortgages to Fannie Mae or Freddie Mac. It was the US government that set up this mechanism, and perpetrated this massive scam. As of today, virtually no one has been punished for this scam. People are regularly sent to prison for long sentences for stealing a few thousand dollars, but in this case, the government and the banks willfully perpetrated a fraud involving hundreds of billions of dollars, and no one has been punished. Of course not. The US government set up the scam, and it is not about to punish anyone involved in executing it, if it doesn't have to. Franklin Raines can keep his 92 million dollars. In recognition for his role in enriching the banks and investment firms, Bill Clinton was massively enriched after leaving office, to the tune of about 100 million dollars.

The Derivatives Scam

There were several major causes of the Great Depression. Three major factors were (1) overproduction, caused by substantially increased access to technology and energy (once US domestic markets were saturated, there was little additional (foreign) demand for US products because the rest of the world was largely undeveloped (colonial markets producing raw materials or basic commodities) and could not afford them); (2) leveraging of investments, such as purchasing stocks and bonds for a small portion of the price (so that when an economic downturn occurred, many people went bankrupt); (3) participation of banks in risky financial transactions, which jeopardized their depositors' savings when large amounts were lost on these transactions. The first factor was addressed by World War II, which caused great material destruction. The industrial production associated with the war effort was a substantial stimulus, the reconstruction efforts after the war generated much business, and the establishment of viable overseas economies generated much foreign demand for US products. The second factor was addressed by the Federal Reserve Board's raising margin requirements on stock purchases (which were as low as 10% prior to the stock market crash of 1929). The third factor was addressed by passage of the Banking Act of 1933, or the "Glass-Steagall Act," which separated commercial (depository) and investment banking and set up the Federal Deposit Insurance Corporation, which insured bank deposits up to a set limit (for a small fee paid by the bank).

Under the Glass-Steagall Act, bank deposits were very safe. The depository banks were not allowed to engage in risky investments, such as financial derivatives, they were highly monitored by the government, and deposit accounts were federally insured up to a specified limit. The concept was that commercial banks would not engage in highly risky investing, and diligent monitoring would assure this, so that deposits could be insured at low rates. The investment banks were subject to less regulation, and investments in those were not insured. In the late twentieth century, commercial banks lobbied to be allowed to do investment banking, which was very lucrative. Their main argument was that, applying the statistical theory of

stochastic processes (e.g., Black-Scholes pricing of derivatives), they had now learned to manage risk much better than before. As long as the deposits were insured, it did not make sense to allow commercial banks to engage in investment banking, because low-rate insurance made sense only if the banks were engaging in low-risk (and closely monitored) activities. Nevertheless, the commercial bankers eventually succeeded, under President Bill Clinton, in having Congress repeal the Glass-Steagall Act.

The way in which investment banks and other financial organizations, such as insurance companies, generate large profits is by engaging in risky ventures. The “Fundamental Theorem of Finance” proves (under weak but reasonable conditions) that in order to achieve a higher (expected) return, the risk (variance) must also be higher. In order to generate very high profits, it is necessary to engage in very risky investments. (The overall risk to the enterprise can be kept low if it engages in a large number of independent high-risk ventures.) In investment banking, the standard way of engaging in high-risk ventures is to engage in trading in financial derivatives. A financial derivative is a financial instrument whose value is “derived from” (based on) some other asset. A derivative is a bet, or wager. One party believes the value of the derivative will move in one direction, and the other party believes that it will move in the other direction. To trade in derivatives, it is necessary to determine a price for the derivative. It is possible to use mathematics to determine prices, under very strict conditions. Unfortunately, these conditions never hold in the real world, but bankers convinced Congress that, armed with the new tools of financial engineering, they could now manage risk, and there was no reason why commercial banks should not be allowed to engage in risky ventures, just as investment banks were.

There was a major fallacy involved in the banks’ argument, viz., the assumptions made in the mathematical models are never satisfied in the real world. In particular, the models assume that the mathematical model remains constant, when in fact it changes over time, sometimes very radically. More importantly, the models assumed that the investments are statistically independent (“uncorrelated”). If the investments are independent, it is very unlikely that many of them will go bad at the same time – that would be like all of the customers of a life insurance company dying at the same time. When a large number of bets go bad at the same time, then the loss becomes very large. In most of the derivative-based collapses, the investments were affected by a common risk factor, so that they all failed at the same time.)

The fact that bankers could in fact not control risk, even armed with the mathematics of finance, was demonstrated unequivocally by the collapse of Long Term Capital Management, a hedge fund management company, in 1998. This was one year before the repeal of the Glass-Steagall Act. There had been other spectacular examples of failures caused by derivatives trading, such as the bankruptcy of Orange County, California, in 1994 and the 1995 collapse of Barings Bank (from 1762 to 1995 the oldest merchant bank in London). It was very clear from these derivative-based failures that the risks being courted by investment banks, insurance companies and other investors was vastly higher (i.e., more highly “correlated”) than the risk associated with conventional commercial banking. If commercial banks were to be allowed to engage in high-risk investments, then the government had no business continuing to insure savings deposits in those banks under the same FDIC program that made sense for traditional non-investment banks. When those banks failed because of derivatives, the savings deposits would be lost, yet the government would still insure the loss.

The moral hazard (i.e., the motivation to engage in riskier behavior when someone else assumes some of the risk) created by this situation was high. Banks could now invest in very risky ventures, in the belief – based on experience – that the government would bail them out.

The situation was similar to that preceding the Savings and Loan scandal of the 1980s and 1990s, in which the government allowed S&Ls to engage in risky ventures (for increased profit), while the insurance was based on an earlier era of low-risk investment (in private homes). The S&Ls knew that the government would bail them out, and engaged in ever-riskier investments, until the industry collapsed. As expected, the government indeed bailed them out. This fact was not lost on the bankers who urged for repeal of the Glass-Steagall Act.

What happened turned out to be far more costly than the reimbursement of savings account losses. Now that all banks could deal in derivatives, the derivatives market exploded. It was a grand party, in which wealthy bankers and insurance executives were making ever larger and ever riskier bets, knowing that the government would cover their losses with taxpayer money of their scheme ever collapsed. It was widely believed that the Great Depression was made worse in the United States because the government allowed banks to fail. It was rather obvious to everyone that it would not let the banks fail, this time. The problem that now arose, however, was that all the banks were dealing in derivatives to gay abandon. Originally, the derivative market was very small, used mainly to reduce the risk involved in commerce, such as by protecting farmers from crop losses or international firms from currency fluctuations. As the derivatives market exploded, the level of risk involved and the amounts at risk increased tremendously. Contrary to the primary original purpose of reducing business risk, banks now used derivatives to *increase* risk – to set up investments that generated very high profits because they incurred very high risk (such as the very unlikely failure of a very large firm). A derivative contract is simply a bet. The banks and insurance companies started making bets that were so large that they were impossible to pay, in the event of loss. (Unlike the case of life insurance, where the probabilities of death are well known, they involved events for which the probabilities of occurrence were not known from experience and that, unlike individual lives, could be highly correlated.) For example, for a small fee, one party might bet that General Motors would fail, and the other party would bet that GM not fail. The derivative contract was an insurance contract against the failure of GM. The price of the derivative contract to the insurance purchaser was very low, because the risk of failure was considered to be very low, and the risk of many derivative contracts going bad at the same time was considered to be extremely low. The problem that arose is that, when GM failed, the losing “counterparty” could not pay off. That is when the government stepped in and covered the losses with taxpayer money.

The fallacy of the view that banks could manage risk had been amply demonstrated by the failure of LTCM, Orange County, and Barings Bank, yet, flying in the face of stark experience, the government refused to acknowledge the possibility of massive losses. One person, Brooksley Born, head of the Commodity Futures Trading Commission, warned strongly in the late 1990s of the high risk of massive financial collapse of the derivatives market, but she was derided and ridiculed by Federal Reserve Chairman Alan Greenspan, Deputy Treasury Secretary Treasury Lawrence Summers and Secretary of the Treasury Robert Rubin. They testified before Congress that regulation of the derivatives market was absolutely not needed. Born was steam-rolled. Congress refused to regulate the derivatives, banks and insurance companies were dealing in them in vast amounts of money, and, when the housing market collapsed, so did the derivatives market. The problem the US government had now was that it did not want to let major banks and major insurance companies fail. What it decided to do was to use the taxpayers’ money to cover these big bets gone bad. Had the Glass-Steagall Act not been repealed, the government could have let the investment banks and insurance companies fail – they were simply wealthy organizations or individuals choosing to make ridiculous bets, and if they lost, that would be fine. (Update 19 May 2015. The story of Brooksley Born’s heroic

fight against Rubin, Greenspan and Summers is documented in Michael Kirk's 2009 PBS/Frontline DVD, *The Warning*.)

Through the housing scam and the derivatives scam and the inflation scam, the US government and its wealthy controllers have defrauded the US public out of trillions of dollars. Now that the financial crisis is easing, has there been any attempt to recover the funds spend on bailing out banks and insurance companies? Of course not. The purpose of the scam was to transfer the wealth from the taxpayer to the wealthy elite permanently, not simply loan it. Has anyone been punished for these scams? Is Bill Clinton in jail for refusing to regulate derivatives? Are Larry Summers, Robert Rubin, and Alan Greenspan in jail for demolishing Brooksley Born when she called for regulations of derivatives, and perpetrating this massive fraud? Are the bankers and insurance companies who drew up the derivatives contracts, knowing that these mathematical models would eventually cause massive busts (they already had, even if the bankers did not understand the mathematics) in jail? Has there been any attempt to recover the trillion dollars spent on bailout, now that the crisis has passed? Is Franklin Raines in jail for receiving 90 million dollars in salary, and running Fannie Mae into the ground? Has the government taken back the 90 million that he was paid, and returned it to the people he willfully bilked? (The government actually did fine him a paltry sum, which was covered by his insurance.) Are the CEOs of the banks and insurance companies who perpetrated this fraud in jail? Have they been stripped of their ill-gotten gains? Are they no longer being paid exorbitant salaries for derivatives trading? Of course not. None of the perpetrators, players, or beneficiaries of the scams will ever be punished. The money will never be recovered. The bankers and insurers who perpetrated the scam will continue to earn absurdly high salaries. The US public has been taken by this scam. It is being told over and over that the financial instruments involved were complex, and no one really understood the nature of the risk. These are complete lies, evidenced by the failure of several large derivative schemes in the 1990s. Any competent statistician can explain about correlated stochastic processes, and why the derivative schemes were doomed to fail. (If you go back 100 years, almost every firm in existence then is defunct now. Two world wars, a Great Depression and several major recessions occurred. The risk of a massive collapse should never be assigned a low value.) The government played a major role in causing the financial crisis, the main objective of which was to transfer massive wealth from the taxpayer to the wealthy controllers of the country. The government will not be punished, and it will not punish anyone. The sting is complete. It is finished. And so is the country.

In closing, it should be recognized that our leaders – in government and finance – are not fools. They are not idiots, and they are not insane. They are, by and large, knowledgeable, crafty individuals who achieved high position by their wits. They knew very well what they were doing. They had seen the failures of the Stock Market Crash of 1929, the Great Depression, the Savings and Loan crisis, LTCM, Orange County and Barings Bank. They knew exactly what they were getting into and trying to do. When Brooksley Born urged restraint and regulation, they shot her down. They knew full well what the scam was, and they pulled it off – they made absurd bets and got the government to use taxpayer money to cover their losses, when the bets went bad. The public evidently still believes that it was just the “business cycle” or some sort of incredible bad luck or Act of God that caused the collapse of the housing market and the derivatives market, else they would demand punishment of the people who perpetrated the fraud. The recent financial crisis was willfully engineered by the government and the banks (and insurance companies), just as any Ponzi Scheme.

Plato was right. Democracy would never work because people will elect leaders (in government and in business) who will promise them anything.

End Notes

For additional notes, see the Wikipedia entries for Fannie Mae; Freddie Mac; Franklin Raines; Glass-Steagall Act; Federal Deposit Insurance Corporation; Moral hazard; Federal Housing Administration; Securities Exchange Act of 1934; U.S. Securities and Exchange Commission; Federal Reserve Act; Margin (finance); Bucket shop (stock market); Derivative (finance); Mathematical finance; Risk-neutral measure; Fundamental theorem of arbitrage-free pricing; Long-Term Capital Management; Barings Bank; Orange County, California; Savings and loan crisis; Quantitative easing, Center for American Progress.

Socializing the Cost and Privatizing the Benefits

The April 27, 2011, issue of the *Spartanburg Herald-Journal* presented an article, “McConnell: Medicaid draining budget.” The article describes how the ever-growing cost of Medicaid is siphoning money away from other state (South Carolina) priorities. This situation illustrates the perils of government insurance. The housing market and finance sector crashed because the government insured home mortgages and savings accounts, originally under very strict conditions and monitoring, and then let the banks invest however they pleased. Similarly, in the cases of Medicaid and Medicare, the government is providing medical insurance to the poor and elderly, but the private health sector determines the treatments and the charges. FDIC insurance and FHA insurance worked well when the banks and S&Ls were closely monitored and regulated. The system “bubbled” and collapsed when they were not. Medicaid and Medicare will not work unless the government assumes tight control of treatment and charges. It would work well, for example, if the uniformed Public Health Service were expanded to provide public clinics for the poor and elderly in all neighborhoods. The current system of public insurance with little regulation of the private providers is ridiculous and unsustainable, and it will fail.

Crimes against Humanity

From the preceding articles, it is clear that US government and the finance industry have conspired to construct a massive scam that resulted in the defrauding of US taxpayers to the tune of about two trillion dollars. The government leaders and finance-industry leaders who perpetrated this fraud should be taken to task, and punished for their crimes. To date, virtually no one has been punished. Here follows a list of crimes that should be prosecuted. (In the following list, I am including not just financial crimes, but a few others I have written on from time to time.)

1. Theft of 500 billion to one trillion dollars by Ben Bernanke and the Federal Reserve, through quantitative easing (“printing money”). This is the amount (approximately – I don’t know the exact amount) by which savings will decrease in value, or prices will rise. This amount has been stolen from the American people. There are no plans to return the stolen value. All officers in all twelve Federal Reserve Banks, which constitute the central bank of the United States, should be held accountable, charged and tried. If found guilty, a suitable punishment for this massive theft from the American people is banishment to Mexico or Cuba. (This form of punishment – banishment or “shunning” –

is neither cruel nor unusual, having been practiced by human society, including humane religions, since the dawn of time.)

2. Theft of 500 billion dollars by officials of Ginnie Mae, Freddie Mac, and all banks, insurance companies and investment firms that dealt in bundled mortgage-backed securities, and thereby caused the collapse of the US housing market. All officers, past and present, of these organizations are charged. Also charged are all members of US Congress, and all Presidents, past and present, who were complicit in causing the housing bubble, by aiding or abetting the privatization of Fannie Mae and approving repeal of the Glass-Steagall Act. A suitable punishment for this massive theft from the American people is banishment to Mexico or Cuba.
3. Theft of one trillion dollars from American taxpayers by members of Congress and the President, by refusing to regulate massive trading in derivatives, and then covering the resultant losses with taxpayer money. A suitable punishment for this massive theft from the American people is banishment to Mexico or Cuba. Special punishment (e.g., shaming punishments such as stocks and caning, followed by banishment to remote, harsh, inhospitable places) should be meted out to key players in the derivative scam, such as Larry Summers, Alan Greenspan, Robert Rubin and Bill Clinton. Special recognition should be awarded to Brooksley Born for her valiant efforts to stop the fraud.
4. Massive destruction of the US environment, and loss of life to US citizens, caused by increasing the US population from 200 million to 300 million following passage of the Immigration Act of 1965. Charged are all members of Congress and Presidents following Dwight David Eisenhower, who worked to pass the Act or failed to repeal it. A suitable punishment for this massive damage caused to the natural resources and beauty of the country is banishment to Mexico or Cuba.
5. Loss of economic and physical security of the United States, caused by government policies of mass immigration, open borders and massive international free trade. The President and other high government officials take a vow to defend the Constitution and protect the States from invasion. By their actions in allowing the invasion of the country by 12-20 million illegal aliens, they are guilty of high treason. Because of open borders, they have severely diminished national security. Because of massive immigration from many different cultures from around the world they have fragmented US culture, and thereby diminished national security. By promoting massive international free trade, they have caused the loss of manufacturing to the point where the US no longer produces what it uses, and no longer produces products that the rest of the world wishes to trade for. They have thereby caused severe damage to the national economy. Because of the treachery of all branches of the US government and leaders of the financial sector, the integrity (security, soundness, character) of the American nation has been destroyed. A suitable punishment for this massive theft from the American people is banishment to Mexico or Cuba. All illegal aliens, and all birthright-citizens born to illegal aliens, will be deported to Mexico within one month.
6. Cruel and unusual punishment of many Americans. The US incarcerates a higher proportion of its citizens than any other country, and for very long terms. This punishment is both intensely cruel and, in the face of human history, highly unusual. Its wealthy make much money off the justice system and the prison industry. It has criminalized drugs, causing a much higher level of damage to society (including other countries, not just the United States) than the drugs alone. The current practice of mass incarceration is highly discriminatory against blacks, who are incarcerated in much larger proportions than other races. For this crime against humanity, all present and past members of the Legislative, Executive, and Judicial Branches are charged. A suitable punishment for this great wrong against the American people is banishment to Mexico or Cuba. All prisoners currently incarcerated or charged with nonviolent crimes are to be

released immediately. All prisoners currently incarcerated or charged with minor-violence crimes will be offered rehabilitation (training and education). All persons refusing rehabilitation will be incarcerated in prison camps for six months to contemplate their banishment, and reconsider the offer of rehabilitation. All prisoners currently incarcerated for seriously violent crimes will be banished to Mexico or Cuba. Persons refusing banishment will be declared outside the law (“outlaws”), and not subject to the protection of the state.