

Chapter 9

8.2 Regulation across America, Britain and Europe (a comparison)

Just as in the 1980's, Britain's financial markets and mortgage markets were deregulated, (see chapter 2), it is now suggested that Europe should follow suit.

“One way to boost both economic efficiency and spending in the euro-area would be to shake up it's over regulated mortgage markets” Economist (11.12.2004)

The Economist magazine suggests the best way to achieve this is to Liberalise, to encourage competition and innovation in the mortgage market, which would make monetary policy more effective as well as help to boost spending. (i.e. to create and flood the market with credit with attached interest rates, which until deregulation occurs as they see it, this excessive credit cannot be created by the European central bank.

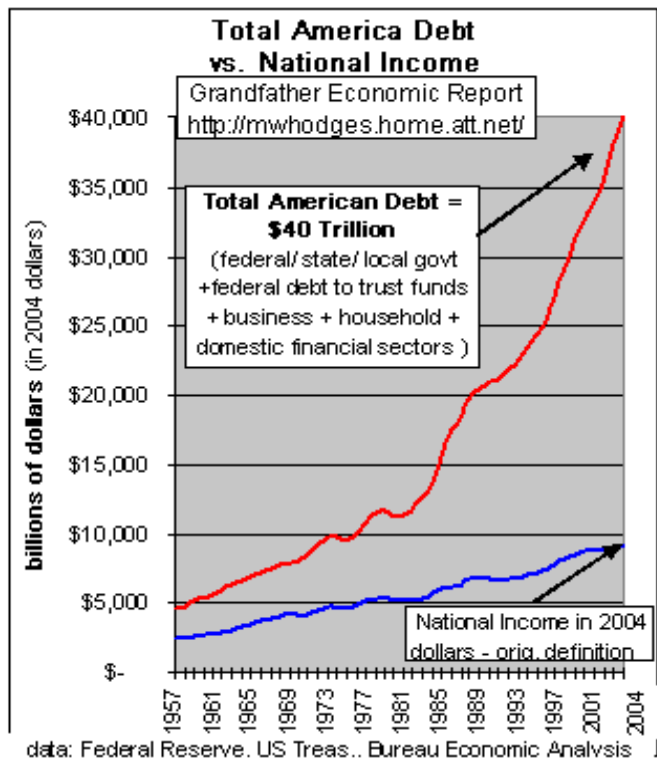
Until a mortgage is agreed the interest bearing debt cannot exist. As already stated it is a mechanism to supply money to the economy, which if deregulated flows easier, down the debt mountain)

This way it will boost its dismal “growth rate”. Of course growth occurs even when the economy is forced into borrowing or when it is bankrupt, and when its debt out strips its assets. (see chapter 4.3 above).

The Economist continues in advising Europe;

“Loosen up a little. This newspaper often lectures America for excessive borrowing and too little saving; surely we are not suggesting that Europeans should adopt its more profligate ways?... Yes we are, but only in part. Just as debt can be to high, it can also be too low.”

This last statement is economically meaningless. Of course were all screaming are debt is too low. ?



C.B.S. news on the 10th April 2005 in America say America’s national debt is \$7.82 Trillion.

Or it is \$40 billion (see above). The C.B.S figure is supplied according to Government statistics, but what is 20 or 30 \$Trillion or so.

C.B.S. continues “The day Bush was sworn into office in 2001, the national debt was \$5.7 trillion, and there was a surplus. On the day he showed up in Parkersburg, it had climbed to \$7,782,816,546,352.29. That is seven trillion, seven hundred and eighty-two billion, and eight hundred and sixteen million, five hundred and forty-six thousand, three hundred and fifty-two dollars, and twenty-nine cents.”

"Four years ago, the Bush administration inherited a projected 10-year budget surplus of \$5.6 trillion, says House Minority Whip Steny Hoyer" "Since then, we have run record deficits of more than \$400 billion a year, and Congress has been forced to increase the national debt limit three times. Even worse, the administration and Congress have no real plan to rein in deficits and debt. This threatens our investments in issues important to our communities -- on everything from health care to our national security."

<http://www.cbsnews.com/stories/2005/04/08/opinion/main686839.shtml>

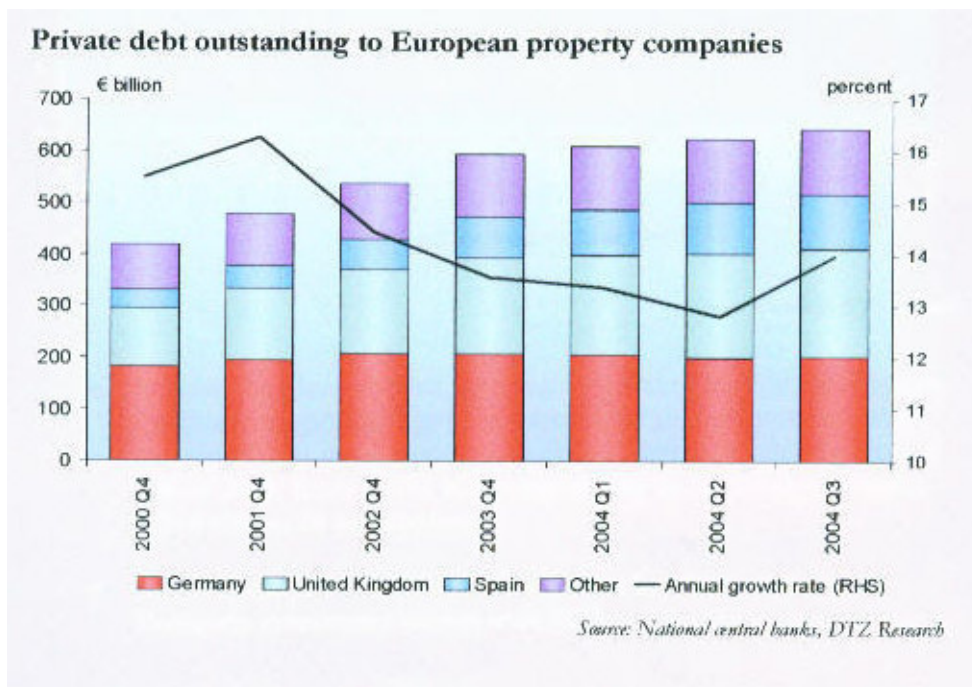
Implied in this statement are the effects of war borrowing and financial mismanagement.

Further, "Corporate profits over the past three years have risen by 60%, whilst wages have risen by 10%" **Economist (12.2.2005)**

The Economist continues "In America Households debt amounts to 90% of GDP, whilst in the Euro-area it is only 50%. America's saving rate is 2%, whilst in the Euro-area it is 10%. In France and Italy the typical mortgage has been for 70% and 55% respectively of a homes value and has to be repaid over 15 years." **Economist (11.12.2004)**

The economist says that this is because of the Euro-area less developed mortgage system which makes it harder to borrow.(as it is regulated)

A French girl I know, in conversation said she cannot believe how many people use mortgages (translated 'deathgrip'), as a means to live in a house.



DTZ research “European private debt market” report.

DTZ monitored 7 European countries (including France, Spain, Ireland, Italy and Germany) and found across them all a debt to property companies of 644.8 billion Euros. This converts to £441.482 billion sterling.

Compare this to,(see chapter 2) with the British debt to property companies of £140 billion and multiply it by seven (or six) and its twice as much debt,(£800 or £960 Billion).This is in a population of 60 million or so people. In other words Europe’s debt would double in the “Anglo model”

Compared with France also 60 million people, and Germany 82 million Spain 40 million, Italy 58 million, Ireland 4 million. (total 250 million approx)

In Britain with mortgages of 25 years are 10 years longer on the term of the loan at on average mortgages rate of 100%. Britain’s equivalent property debt x7 = £940 billion.

The economist continues;

“Deregulation must be done carefully, with adequate supervision to discourage too much risk taking by lenders.” **Economist (11.12.2004)**

This is a sensible statement by the Economist as hundreds of thousands of homebuyers in Britain are inflating their wages in mortgage applications in order to meet the high cost of housing and deregulated banks (i.e. all the British banks) are seemingly allowing it to occur.(see the literature review page)

The Economist ends with

“Surely the European Central Bank should prefer to drive a well engineered Porsche with care, than a clapped out old banger that responds slowly and uncertainly to the accelerator or the brake, cars don’t cause accidents, people do” **Economist (11.12.2004)**

Of course Europeans drive Volkswagen and Ferrari’s, Citroens, Seat, Fiat and even the French bicycles with attached small engines are doing very well and they own more of them as opposed to hiring them with credit deals and long term loans.

MG Rover on the other hand is in receivership, and thousands of workers are redundant.

Europe then is safest for the consumer and people are better off than in Britain or America, it also provides safer and better constructed housing and goods.

Further Statistics across Europe 2005 (see CIA The World fact book and nationmaster)

<http://www.cia.gov/cia/publications/factbook/index.html>

<http://www.nationmaster.com/index.php>

	Britain £	Ireland €	Germany €	Spain €	Italy €	France €
GDP real Growth rate	3.2 %	5.1%	1.7 %	2.6%	1.3%	2.1%
Population (Millions)	60	4	80	40	58	60
Unemployment rate	4.8 %	10%	10.6%	10.4%	n/a	10.1%
Population below poverty line	17.1 %	4.3%	n/a	n/a	8.6%	6.5%
Public debt as % of GDF	39.6 %	31.2%	65.8%	53.2%	105.6%	67.7%
External debt	4.71 £Trillion	11 €Billion	n/a	771 €Billion	914 €Billion	n/a €Billion

Britain despite having the highest GDP real growth rate, has the highest debt figures, and most significantly despite the lowest unemployment rate, still has the highest living below the poverty line. Cheap wages, high debt = stress.

Note also if you want to increase employment, you must increase debt and borrowing to finance it, note also GDP growth does not rid poverty, it only means banks have made more profit, albeit capital has increased, real peoples lives have not increased. Globalisation even in the 1st world does not work.

Why did Europe reject the NeoLiberal doctrine of slavery in the constitution, because it would become like America and Britain. People in Europe (and USA) would be better off scrapping the economic system, cancelling all debts and starting again.

And it is this finance model called simply the Anglo finance model (get as many people in debt as possible, and underwrite it against their tax and privatise off anything and everything)

That was rejected in the June 2005 European Constitution referendum. Not just by the French but by the Dutch and the Italians and who knows who else. The British also seem likely to reject it, and it is their own financing model.

The misconception about the “Economic” aspect of the constitution arises from the fact that America, or rather the “special relationship” wants Britain to remain half in Europe preferably,.. but all in would serve just as well, with some kind of arrangement on who (within NATO) would control the USA’s nuclear weapons silo’s. America would then via the City lend Eurodollars to Europe opening up its markets abroad, and Europe is a market of over £450 million people.

Europe wants its own Economic model, and would whilst it is looking at Blair’s third way,(not the “stakeholder society” abandoned as soon as office was won in 1997) it realises as are the people of Britain that this stakeholder citizen society, privatised, but public ally funded is only the tool it used to placate the Unions in the mid 1990’s.

It will lead to privatisation by stealth, with higher charges, longer working hours, less savings and higher mortgages, so that Europe will resemble America as we in Pax Americana mode with Bush and the neo cons.

It seems likely that Americans will also come to dislike the Anglo model as time and profits and wages decrease.

Why would anyone want to live like this.

For Europe however what model should it adopt, well it could adopt a similar model, but without loans from the City or America. Or it could invent a model to suit all. Further a true social model well thought

through, reflecting ideals from the people up, could also work in a fully federalised Europe or its current model.

The European central bank could be run by the people, for Job creation (as opposed to constant inflationary politics), as could the Council of Ministers. Napoleon Bonaparte introduced his code Napoleon, but his imperialist designs were to check the growing advance of the City into Europe (starting his career, from Corsican peasant to lowly ranked soldier, until Emperor) he saw the City as distinct from the “British people” in exactly the same way, people in Britain and elsewhere see globalisation as a distinct and separate entity of economic Imperialism.

Loans from the City were sent to every European leader who would fight against Napoleon, and he in response, conducted his military campaigns against them to stave off the Anglo debt model, even designing a system of land “assignats” to counteract the debt and credit model. This was not successful due to the constant warfare, but could have worked very well (credit essentially non-existent until the loan is made, and debt also endless, against a currency which had intrinsic value).

Although finally meeting his Waterloo (after which the British starving underclass, met their Peterloo, at the hands of English troops, who had fought Napoleon. The wars high taxation to repay the interest on the massive growing debt, causing poverty and hardships. The protestors were charged by sword wielding soldiers on horseback) Napoleon had in fact won 26 straight victories or 26;1.

He said

“He made it plain that he had formed the highest opinion of the English people and their services, his quarrel was not with the British, but with the system of London” (made to Sir Niell Campbell en-route to Elba)”

Napoleon, as has been said, “maintained in his thoughts, a sharp distinction between the British People and the City of London”.

McNair

He saw the seven years war whilst bringing victory to France also bring famine and crisis economically “out of which six years later, the Revolution in England came” (Industrial). The countries of England and France were almost ruined due to the war.

Hobsbawn

Why did Napoleon march all the way to Russia, military historians puzzled by the certain losses and exhaustion he would incur.

In 1813 Alexander of Russia eventually capitulated to the credit system and 600 ships laden with cargo arrived in the Baltic bound for Russia. Napoleon tried to prevent this and/or capture them and he was also unable to prevent Alexander mobilising a force of 240,000 on the Polish frontier. “No way of defeating England appeared to exist except economic pressure, and this Napoleon attempted to exert effectively through the Continental system”. Yet it was impossible to police all of Russia’s borders, in the circumstances had the Tsar made peace Napoleon would have won Napoleon was stretched just too far. A Northern league had been formed against him and one more burst, hoping for rapid victory was his only chance, but in a Russian winter this was impossible, yet the only option. He did make it back to Paris, before having to face Wellington, whilst the Directors were also waiting to be rid of him under influence of Prince Metternich of Austria (who had capitulated to the English system).

McNair

This system was of course still in place when Engels, wrote his famous condemnation of the conditions of the British working class, and also when the monster strikes of 1910 to 1914 and into the first world war, when workers organised. Of course WWI provided a “waterloo for everyone”

Engles

In Britain today there is opposition to the working time directive, the European parliament wishes to introduce. Shorter working hours with less debt and shorter mortgage terms, need not transpose to longer unemployment queues, once the debt system is altered, to provide more public investment. The “flat tax” aspirations of the neo liberals will produce, a huge tax burden on the middle classes, whilst the rich will grow richer with less taxation. A flat tax is only of benefit in a society which has equalisation of pay (simply because it simplifies the system). Britain has the longest working hours with worst rates of pay, and the worst pensions also in Europe. (matching only with America, which as September revealed with Hurricane Katrina, suffers also a massive underclass)

New Europe (rejected), was based upon the Lisbon strategy, and the constitutions rejection will see Tony Blair trying to impose even more stringent deregulation, and Neo Liberalism disfunction. This is also rejected and many instead want to see an “Athens strategy”, when the European social forum will debate new models of Finance, in Athens Greece in March/April 2006.

America is populated by former Europeans, (now with American accents) living in a federalised state, so it cannot be opposing European constitutions or federalisation on principle.

Each one of America’s states is as large as a European country, and it started as independent states having different models of finance, which over time became integrated through legislation (120 years) Europe is only 50 years old. Britain’s population is 60 million (July 2005 est.).

The current red herring in European matters is Britain’s rebate which at £3 billion is a trifling amount. This has led into the augment on the Common agricultural policy (CAP).

In Britain at the start of ww2, farmers were encouraged to grow on allotments, and they increased in their thousands, production of food was increased dramatically to prevent starvation during the blockades.

Food prices were kept low to help people pay for it, and farmers were subsidised to make up the difference. After the war Churchill scrapped the subsidised food prices, but to maintain rural votes he retained the guaranteed price to farmers.

Farmers sold for the best price they could get, and if they had a shortfall they applied to Whitehall for “deficiency payments”, this meant production was maintained and became more important than consumption, in effect a soviet style nationalised economy. Successful farmers could not maintain the success by increasing sales, as Britain is limited to the number of crops it can grow as is Ireland, so they reduced their costs “although the area of farmland has shrunk since 1945, the number of cattle on it has increased by nearly two thirds”

Hobson

This has been achieved by adding chemicals, employing animal geneticists and mechanical engineers and artificially, yields have doubled and quadrupled. By the late 1950s overproduction was becoming obvious and the fixed price more obvious still to shoppers, so the government next had to fix the quantity as well as the price. In the 1960's it then became necessary to reduce the amount paid to encourage over producing, the “deficiency payments”. When Britain joined the EU, the Common agricultural policy (CAP), reversed the policy of phasing out deficiency payments, as CAP guaranteed fixed prices. Farmers did not complain as the price of grain doubled overnight.

Europe soon had Butter Mountains, grain hoards and milk lakes, but similar problems were happening in America, in fact the whole world, and the European Commission soon also had to adopt the same policy as Britain and fix the quantity of food produced as well. Farmers all over Europe were then compensated for loss of income, and effectively as in Britain farmers were bribed to produce less.

In 1992 reforms were introduced to reduce price supports, but by 1997 Food Mountains were growing again, because higher prices encouraged more output.

As the European Union enlarged to east and central Europe, the Union inherited their low prices, so the set aside, production quotas and price intervention would throw everything into a mess and bankrupt the Common agricultural policy, hence Blair's calls for reform of it.

Farmers are worried all over Europe, and know it will mean less developed countries will import their food cheaper than Europe, and reforming CAP would also drastically reduce overproduction being dumped onto 3rd world markets markets. This along with cancelling their debt also dumped upon them will help them reform themselves.

The new subsidise for farmers will continue, they will go on however in a new form, as instead of farming to increase production CAP reform will encourage new organic methods, but the main subsidise will now instead be (to farmers as guardians) towards a heritage industry, and the heritage industry will replace a lot of farming as we know it.

Aside from this and Romania is a good example, locals,(as opposed to "second home buyers") are purchasing land and farmhouses and farming organically. Teenagers in co-operatives of 6 to 12 are farming for themselves and are being helped by the European Union.

This will happen all over Europe and fits in with many Italian villages outlook of producing locally (cottage farming, high quality "slow" food from traditional small producers) and selling globally direct.

The problem is reduced production (by reducing cap) will mean more imports unless farmers and the new organic farmers, farm intensively and the smaller concerns dramatically increase. Many eastern European countries are pre-ferring this lifestyle to that of former (abandoned by east and west) poverty and/or soul destroying jobs in factories.Again farmland will be "heritaged" by large landowners, but the

“land question” will surface again. Large landowners will need to be bought out and land given to new smaller organic farmers.

Britain currently receives up to £30 billion a year from CAP, which is why there a lot of pro Europeans in Britain, and this money goes to rich landowners like Price Charles, but also because they know the market opening up in Europe is the best and most lucrative market in the world. Contrary to Eurosceptic views countries like Norway and Switzerland, outside of the EU, subsidise their farmers more than those countries inside the EU under CAP. Switzerland and Iceland is currently double that of the EU.

Eliminating subsidised products altogether will take time in Europe, as sudden drastic changes in income will cause hardship. Reducing export subsidise’ is not aimed at Europe but at the rest of the world’s richest countries.

This common agricultural policy reform, and its problems were not caused by Europe, they were an “Anglo” policy before the European project was drawn up.

The French and the Dutch in rejecting the European constitution are in effect rejecting a proposed Anglo model for its overall finance structure, and whatever the new reforms on CAP, people do not want the debt burdened “mortgaged” lifestyle of America and Britain, just as nobody wants to eat contaminated poor quality foods.

If the rejection was on purely Nationalist grounds by the French left, with elements of the far right also bolstering the no vote and Britain also wants to reject the constitution on grounds of independence, where would that leave the farmers and business’s who wish to remain in Europe ?

The overwhelming majority of the “non” vote were white and blue collar workers (70 – 80%)

Further farmers in Ireland are also worried just as farmers in Britain and France are worried.

Euro-scepticism on the constitution seems to be across left and right, and in Britain is it just simply overt nationalism, behind euro scepticism, turning away from the Imperialism of European integration.

If so is this any different from the Nationalism of Republicans in Ireland who wish to leave the Imperialism of the Crown financial Union and have a United Ireland.

England without any historical evidence claim the Irish – Scots colony of Ulster is theirs, whilst Europe claims the former Roman colony of Britain as theirs also.

During the nationalist arguments, workers have also been sidetracked, whilst these issues are used to divide and conquer.

Whether we recognise the distinctions between supply and demand in competitive markets, of ‘natural liberty’ and ‘free competition’ or ‘perfect competition’, to the ordinary man or woman in the street (the most important factor in society and the economy), these terms may mean they will have to work harder, longer and for less pay.

Nobody considers competition on a more social basis!.

For instance;

1) I worked 35 hours last week and spent over 50 hours quality time with my boy/girlfriend, wife and children and my wages are very good.

2) I worked 36 hours last week, and spent 48 hours quality time with my boy/girlfriend, wife and children and my wages are not as good as yours, but they are still ok.

3) I worked 35 hours last week, and spent 48 hours quality time with my boy/girlfriend, wife and children and my wages are not as good as yours, but I get 7 weeks holidays a year and a company car.

4) I'm looking for work, I would like to work 35 hours a week, have 50 hours quality time with my boy/girlfriend, wife and children, very good wages, a company car and 7 weeks holidays

5) 1, 2, 3 reply so would we!

This type of competitive (although expressed in materialistic terms) market is not looked upon as natural liberty, free or perfect competition.

Society, people and families are not economic units. Since the mid 1980's competition leading to breaking up of state monopolies, to privatise sections and bring new private concerns into the bidding has resulted in more monopolies? Not state monopolies but private monopolies whose interests are to get rid of the competition and they have continued to get state help to make them the new monopoly, which of course has no competition?

“As society has become increasingly acquisitive, people have come to expect that certain consumable will need to be regularly replaced, whereas once they were regarded as long term investments and lasted for several decades. Sofas which are on average replaced every 2- 8 years are an example. Demand for innovative products such as microwaves and tends to grow rapidly. In addition people have a strong preference for products, which are new, and for these there is an extra ‘virginity value’, with new designs with miniscule difference or designs, which return to earlier fashions. This is depicted in the heavy depreciation of second hand goods; the sales value of a car, for example, drops by 50% after the three years – barely 25% of its expected lifespan” **Cooper**

“Forced into intense competition to survive in the market, industries have cut costs and reduced quality to a point where the consumer needs protection from goods that are so cheap that are unsafe. There has to be substantial administrative and legal involvement offered by a third party – government”

Rowbotham (1998)

Intervention is not only financial in the competition (debt based economy); it is also bureaucratic and administrative. Construction health and safety problems abound and arise in the journals and magazines informing the industry.

“Whole industries have been born out of the social divisions attributable to wage dependence and debt financing, The bureaucratic administration to hold these divisions amongst people in check are now themselves a major source of employment. The summary of this, is that constant growth and wage slavery creates its own demands, and through social friction and economic waste supplies employment”

Rowbotham(1998)

This was written under a conservative government.

“Ultimately in a rich world which denies its own wealth and deflects the benefits of advance away from its people, will so corrupt the nature of its economy that it will make itself into a poor world”

Rowbotham acknowledges and advanced society will carry a large administrative support network however.

This was fully appreciated by Karl Marx (Quoting De Witt).

“In Holland therefore where this system was first inaugurated, the great patriot, De Witt, has in his “Maxims” extolled it, as the best system for making the wage labourer submissive, frugal, industrious and over-burdened with Labour” **Marx (1906)** (speaking of national debt democracies and debt based financial systems.)

Writing before the recent explosion in oil prices and the public was made aware of the search for Middle Eastern democracy.(2001-2003)

“And why is oil so cheap ? Well that’s what you pay your taxes for; a large part of the pentagon system exists to make sure that oil prices stay within a certain range – not too low, because western economics and energy corporations depend the profits from it, but not too high, because that might interfere with what’s called the ‘efficiency’ of international trade (i.e. because transport and other costs of trade rise with the oil price). Well trade is only ‘efficient’ because a lot of force and international violence keeps oil prices going too high, so if you really wanted to sure the ‘efficiency’ of trade, you’d have to figure in all of the other costs which makes it that way, like the costs of the Pentagon for one ”.

Wastage seems to occur across all hemispheres.

“If anybody ever bothered to calculate these things, the efficiency of trade would drop very, very low, and it would in fact prove to be very inefficient” **Chomsky 2003**

“Back around 1970, about 90 % of the capital involved in international economic transactions was being used for more or less productive commercial purposes, like production and trade, and about 10% was being used for speculation. Today those figures are reversed; by 1990, about 90% was being used for speculation, and by 1994 it was up to 95 %. Furthermore, the absolute amount of speculative capital has just exploded; the last estimate from the world bank was that there is now about \$14 trillion involved- which means \$14 Trillion is free to transfer from one national economy to another, an amount which just overwhelms any national governments resources, and leaves government with only an extremely narrow range of choices when it comes to setting policies” **Chomsky 2003**

“Nobody ever tries to estimate them because economics is not a serious field” **Chomsky 2003**

Competition then is relative and almost impossible to measure, yet it seems to always be the workers who bear the brunt of the race? Thankfully along with taxpayers reclaiming their taxes, higher wages and fewer hours, there are others who regard this approach as benefiting business

Harvard University instrumental in the development of the Hawthorne experiments, originally researched by Mayo, Roethlisberger and Dickson (1924 – 1932), continues its research into keeping the workers feeling of well-being, in order to increase productivity to this day. A recent review from the Harvard business review has concentrated on the following

“Funny thing is, research shows that naps not only reduce the rate of heart attacks, but also lead to greater energy, effort, alertness, reaction-time, problem solving, and productivity -- not to mention the estimated \$18 billion cost to US business from sleep deprivation. The value of well-rested employees has prompted several businesses to create napping facilities; akin to the way hospitals have resting places for doctors and nurses working long or unusual hours. Latinos and Europeans have long known the value of siestas. Now modern American business is taking a serious look at a funny issue. The Art of Napping (Larson Pub., '98) and power Sleep (Villard, '98) argue the case for supervised naps to increase productivity and profit”

<http://www.businesspsychologist.com/bpnews201.html>.

Obviously diverting all of this vast wealth into the mouths of the people worldwide will require some effort in “Solving the mystery of Capital”, but the vast fortunes once reclaimed could lead to easier more halcyon days, where competition in the workplace means who has had the most enjoyable siesta, an essential part of worldwide commerce regulation.

Essential to European values (including the new countries that have joined) is family, festivals, variety, poetry, music, great food, and a lack of corporate influence, turning all of this into a grey and dreary Europe. Economic democracy essential to this and also points to prosperity for all.