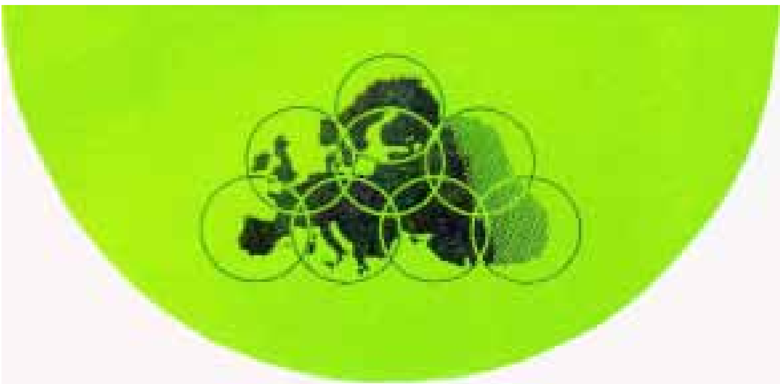
# NEW EUROPEAN



**Biannual Views of International Affairs**

**Spring 2012**

# NEW EUROPEAN

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Editorial:

# Mrs Merkel's Threat of War

In 1941, when Hitler was instituting his New Economic Order for Europe, Dr. Funk, the Minister for Economic Affairs, persuaded the Führer that in order to de-industrialize the other countries, they should retain their currencies but the exchange rates should be fixed in Berlin, then after a while the Reichsmark would become the single currency for Europe. Dr. Funk was proved right. By 1945 Holland, Belgium, the Eastern countries in Europe and even most of France had become de-industrialized.

Half a century later the transition from the Exchange Rate Mechanism to the Euro as a single currency has had a similar outcome. The de-industrialization of Southern Europe has caused many millions to lose their jobs with no prospect of other employment.

Not long ago Mrs Merkel threatened that if the Euro failed there would be a war in Europe. No-one then paid much attention to her, but now perhaps we should. The millions of unemployed are being exploited by extremists who speak of taking action. What the action may be we are not told, but we may be certain that the growing resentment may erupt in violence. We cannot rule out the possibility of coaches being commandeered and filled with violent-minded men armed with rifles, or even pitchforks and butchers' knives. Mrs Merkel should ponder, as all of us should, on what will happen when they reach the German border. Of all the other possibilities of action none is likely to further the unity of Europe.

# A good question for modern democracies

JAMES ROBERTSON

*Why do we allow commercial banks to enjoy the privilege of creating national currencies (money supplies) as debt, and to profit from the interest? Why won't our politicians examine proposals to transfer responsibility to public agencies for creating our public currencies free of debt in the public interest?*

**The Background**

In most countries, including those in the Eurozone, our governments make us depend on commercial banks to create 97% of our national money supply as debt. Our governments don't have to do that; no law says they must; and, even if a law did say it, we could change it.

But most people don't yet recognise that the banks create the money by writing it out of nothing into our bank accounts as interest-bearing loans. The experts call it "creating credit", obscuring the fact that actually – as shown in the official statistics – the banks are allowed to create almost all the national money supply as bank-account money for their own profit.

They do it under "fractional reserve banking". This requires commercial banks to keep in reserve only a fraction of the money that has been deposited with them. For example, if the required fraction is 10%, a deposit into the banking system of £1000 would allow it to create another £900 to the money supply by lending it to customers as "credit", and then a further 10% of £900, and then a further ... and so on.

Meanwhile public agencies, such as the Bank of England and Royal Mint in the UK and the European Central Bank in the Eurozone that still provide national money as a public service in the public interest, are reduced to creating only a tiny percentage of it as banknotes and coins. These bring in a correspondingly small contribution to public revenue.

In striking contrast to the £multi-billion annual subsidy that our governments give to commercial bankers by allowing them to create almost all the money supply out of nothing as loans into customers' bank acounts, they severely punish anyone other than the responsible public agencies that create and issue banknotes and coins. Anyone who fakes banknotes and coins and puts them into circulation as genuine money commits a crime – forgery or counterfeiting. If found guilty they go to prison while dozens of millionaire commercial bankers stay free, enjoying the profitable privileges that come from creating all the rest of the money supply. This arrangement imposes damaging costs and disadvantages on the great majority of citizens. Some of them are described at the website item noted at the end of this article. Most obvious for most of us today is the impact of the banking crisis that began in 2007/08.

**The Stages of the Present Global Financial Crisis**

We are living through the consequences of what may well turn out to be the most damaging financial breakdown that humanity has ever experienced. It is following the three-stage pattern of similar, though less serious, crises triggered by banking failures – *boom-time, bust-time and debt-out-of-control-time.*

> *Stage 1: Boom-time*. In a time of boom it is in the public interest to limit the supply of money being put into the economy. But, if naturally profit-seeking commercial bankers are entrusted with creating the national money supply as profit-making loans, they won't be able to resist competing with one another to create and lend as much as they can for as long as the boom goes on. By stoking up the boom they can make themselves very rich – *Windfall for the Banks No 1.* But stoking up the boom inevitably leads to bust.
>
> *Stage 2: Bust-time.* When the boom goes bust, society's need becomes the opposite of what it was in the boom. We need more money put into circulation, not less. At this point our self-inflicted dependence on commercial banks to provide the money supply again works in the wrong direction – the opposite direction to the one that was wrong in the boom. Banks now can't or won't provide enough money.
>
> However, because our governments make us depend on the banks to create our money supply, the banks cannot be allowed to fail. So they can hold us to ransom. They have to be bailed out with billions of our public money – trillions worldwide – *Windfall for the Banks No 2.* At this stage, however, the bailed-out banks still can't or won't concentrate on the task of creating and lending the

out money for themselves.

First, they must use it to strengthen their balance sheets, in the hope of protecting them from going bust in the future; to do that they have to set aside money as reserves with the central bank. Second, they say they need to spend most of the rest of the bail-out money on competing with one another to give bonuses to their senior people big enough to prevent them being tempted away to other more generous banks. In November 2009 in the USA, for example, a few months after paying back the US bail-out money it had received, the Chairman and CEO of Goldman Sachs was preparing to hand out more than $20 billion in year-end bonuses to his managers – claiming that his bank had been doing "God's work"! Even now UK commercial banks that have had to be nationalised and bailed out with large sums of public money are intending to pay £millions of it as bonuses to individual senior bankers.

*Stage 3: Sovereign-debt-out-of-control*. This third stage in the global financial crisis is now overlapping the second.

When governments have to borrow the money to bail out the banks, the national debt (or sovereign debt) grows. Then governments have to raise enough money from their taxpayers and other citizens (by increasing taxes and cutting public spending) to service the debt until it has been paid back and reduced to an acceptable level. When countries themselves – not just their banks – reach a level of debt higher than potential lenders trust them to service and pay back, they have to be bailed out.

That has already happened to the governments of Greece, Ireland and Portugal. It is now threatening other Eurozone countries and the future of the Eurozone itself. It has also resulted in the need for emergency budgets elsewhere, including the UK, which cause widespread hardship and serious social unrest.

At this point it is possible to see that a 'Catch-22' or 'No-Win' situation is arising, though our politicians, officials and experts in charge of the money system don't yet seem to notice it: "Where is the money to come from to pay off the excessive debts, except by borrowing even more – so adding to what already has to be paid back to the banks with interest?".

**Growing Pressure for Reform**

Pressure has been growing for a simple basic reform separating two sets of functions now confused together. They are: 1. creating the public money supply and putting it into circulation; and 2. providing customers with a competitive market for services enabling them to make and receive payments and to borrow and lend with money already in circulation.

1. The reform will transfer to public agencies such as nationalised central banks the responsibility for creating, not just banknotes and coins as now, but also the overwhelmingly large component of the supply of public money consisting of bank-account money mainly held and transmitted electronically. Having created the money, the central bank will give it to the government to spend it into circulation on public purposes under accepted democratic budgeting procedures.
2. The reform will prohibit anyone else, including commercial banks, creating bank-account money out of thin air, just as forging metal coins and counterfeiting paper banknotes are criminal offences.

Those two measures together will nationalise national money supplies and make it possible to denationalise any commercial banks that have had to be nationalised. Those banks will then be able to compete freely with other commercial banks in a free market, providing customers with payment services and borrowing and lending facilities money already created by the central bank and put into circulation by the government.

The following non-governmental organisations (NGOs) are among those making energetic progress with campaigns for reform on those lines.

Positive Money (UK)
•http://www.positivemoney.org.uk/
•http://www.positivemoney.org.uk/draft-legislation/New Economics Foundation (UK),
•http://www.neweconomics.org/projects/monetary-reform
See publications "Where does Money Come From" and "Creating New Money", American Monetary Institute (USA),
•http://www.monetary.org/
Explore this site from its Home page.

**The Eurozone Crisis and Monetary Reform**

The next milestone in the continuing saga of the Eurozone seems likely to be in March, resulting in a decision whether or not Greece should leave the euro and go back to the drachma. If the outcome is to go back to the drachma, the Greek government should seriously consider taking the opportunity to adopt a reformed monetary regime on the lines above.

Making good use of the Eurozone crisis that way would be pioneering a necessary new path into the future not only for Greece, but even for Europe and eventually the rest of the world.

Why won't politicians around the world consider making public agencies responsible for creating public currencies in the public interest free of debt?
The reasons include:

1. financial, professional, academic and psychological (e.g. self-esteem) vested interests in maintaining the status quo;
2. widespread public ignorance of, and inertia in response to, the injustice and inefficiency of the status quo;
3. a general assumption that the status quo must be accepted as a fact of life; and
4. the difficulty of communicating clearly and convincingly the urgency and feasibility of the changes we need to make.

Those are among the challenges we face in reforming the money system to meet the needs of the world-wide human community in the 21st century.

James Robertson
16th January 2012

*Note*: Readers looking for a fuller account will find one at
http://www.jamesrobertson.com/news-jul11.htm - moneysupply

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# Banks have forgotten where they came from

LARS PEHRSON

If we are to re-establish a stable financial sector that is serviceable, banks must be brought back to their original role as mediators of loans from those who have more money than ideas to those who have more ideas than money. Short-term speculation which can only profit the shareholders must be abandoned.

In 2008, at the beginning of the financial crisis, a certain openness to the idea of a confrontation with the financial industry was in the air. This industry had been built during decades, but now it was seen as a threat to financial stability. But only a few citizens and politicians are able to assess the complex problems, and the debate was reduced to technicalities between supervising authorities and bank lobbyists.

Today many of the biggest international banks are again making no end of money, the condemned bonuses are pouring forth as never before, and the speculation activities have been fully resumed.

Greed and the failure to control are the most popular explanations. These certainly are playing a part, but there are good reasons for taking a closer look at the way of thinking behind the construction.

**The dumbest thing in the world**

From the early 1980s on a faith in the market as the superior regulator of almost anything began to extend to almost everything. The breakdown of the Soviet dirigisme took us into the opposite extreme where any kind of state control was seen in principle as a disturbing hindrance for the market's own ability to find balances and solve problems.

Headed by Ronald Reagan and Margaret Thatcher, a deregulation of not least the conditions of financial businesses began. This process continued until the outbreak of the financial crisis. Soon a new paradigm in financial economics became dominant, i.e. *Shareholder Value*.

The argument is that the most important, even the only, purpose of a business is the creation of maximum value for its owners (*shareholders)*. All other purposes are subordinate.

In order to practise s*hareholder value* businesses began to optimize their working in a way that was far more aggressive than formerly. Among other things it led to a massive outsourcing of production to countries with cheap workforces and weak environmental legislation.

But what was far more important was the creation of positive expectations from the future of the business – because this causes the price of shares to rise. And that is just what interests the shareholders, because it gives much more profit to the owners than the old-fashioned, slowly accumulating kind of profit.

The creation and upkeep of positive expectations demand an ever ongoing taking of strategic steps such as buying and selling of assets, introducing more efficient methods, sackings, announcements of new products that may only be in the planning stage, etc.

Rising share prices enable large profits, e.g. when a business is sold. The present owners get a chance of scoring not only the profits of the present but also a large share of those of the future! The management of the business profits in the shape of programmes for share options and thus has an interest in creating still higher expectations.

Deregulation and shareholder value turned out to be a poisonous cocktail. By degrees the interest in the tasks of the business and the interest in resolving these was eroded and replaced by the aim of creating profits for the shareholders – in the short term, that was. And the pension funds of the wage earners did not lag behind.

**Just ordinary business?**

Jack Welch, CEO of General Electric between 1981 and 2001, is considered to be a leading originator of the shareholder value way of thinking. In an interview in Financial Times (March 12, 2009) he now describes shareholder value as "the dumbest idea in the world".

This mode of thought made it a normal thing to consider a bank as a business like any other. "Banks have come into the world in order to make money," the common saying went.

The banks took an eager part in the race for the favour of shareholders. The banks grew through fusions and takeovers; they expanded beyond their original area (in the local, national or purposive sense), and deregulation made financial supermarkets possible. Old-fashioned virtues such as additional solvency were considered to be a waste of the assets of the shareholders – if for instance a bank had twice as much capital as demanded by legislation it would mean that it did not make good enough use of its potential to do business. There was room for much more business with the same capital.

When it came to gaining the favour of investors and attracting the brightest brains, the financial industry became an alarming rival to the "old" production businesses. It became simply too easy to make fast money on financial activities.

The notion that banks actually had a *mission* was relegated to the background. Banks mediate savings to people who want to start new businesses and need credit for doing this. Some people have more money than ideas, others have more ideas than money. The task of the bank is to be the intermediary between the two groups and consequently to select such borrowers as possess the necessary abilities.

Many financial institutions were founded with the primary object of doing this – and not primarily in order to make money. This goes for many savings banks and cooperative banks – as well as a number of other banks – which were in fact founded in order to strengthen development in local areas. Citizens asked this question of themselves: "Why send my money to the banks in the cities; they do not send the money back to our village? It would serve us better to take care of our savings by founding our own savings bank!"

The purpose of the savings bank is to strengthen the development of the local area. That is what it has come into being to do; that is its mission. And there is no contradiction in the fact that a savings bank should of course be run in a businesslike manner – it would not be able to exist otherwise. But its *mission* is not to do business.

**Set up limits to banks**

A more sturdy banking sector would require that a new kind of understanding of the role of banks in a community would become common among citizens, politicians and businessmen.

The focus should be on serving needs in the real economy. A democratic community must make up its mind as to what kind of banking it wants. Via legislation the activities of banks build on a contract with the community; they have a monopoly on receiving deposits from the public. Banks have a mission in their community by offering citizens and businesses a safe placement of their money and by at the same time lending this money into relatively secure loans that are going to create new activities in the community.

The very medium with which the banks work – money – has also basically been created by the community through the issue of money by the central banks. The purpose of issuing money is to facilitate the exchange of goods and services as well as making it easier to invest in new production and infrastructure. The purpose has never been that money should be a medium for speculation; that money should be made on money.

Consequently there is nothing invidious in the limits that democratic communities set for banks – they have not acquired a "right" to speculate.

**A guard against new crises**

The following items are suggestions of how to act in order to ensure that we have banking that is useful for us as a community

*Reduce financial speculation*. In the future, suppliers of financial services must focus more on the needs in the real-life economy rather than on speculation and deals with financial instruments that do not create any value for the community. The criterion for success is a distinct reduction of such financial instruments and speculation as do not contribute to the furtherance of true initiatives. One element might be a tax on financial transactions.

*Prevent property bubbles.* It is not sufficient to keep inflation at the level of consumer prices. Even the inflation in the prices of assets such as houses must be kept at a level which does not exceed the general inflation. The inflation in prices of assets has a clear tendency strongly to increase borrowing and to make the economy dependent on a supply of borrowed money.

*Close down tax havens*. The international community must see to it that offshore finance centres and tax havens are closed down. During the financial crisis governments – and consequently taxpayers – all over the world have had to supply means or guarantees to the financial sector while at the same time the need for investments in *e.g.* climate friendly collective transport and renewable energy is enormous. Consequently it it particularly important that the taxation base is not undermined.

*Reduce the size of financial institutions.* It must not be possible to create institutions the size of which threaten the system with collapse in situations of crisis. The lesson from Iceland should be taken seriously, and the necessary regulations should be implemented. The community has no real need for mega banks, as the biggest businesses get their borrowed capital through the issue of bonds anyhow.

*Reinforce objectivity.* The rules for credit-rating agencies, *e.g.* those agencies that gave top marks to the subprime loans in the US, should aim at avoiding conflicts of interests. A few private rating agencies are still in fact governing a long list of market actors' actions by giving out marks.

*Reinforce transparency.* The rules for the transparency of financial transactions should obey the conditions in the legislation suggested above. The long-time interests of consumers and citizens should have the first claim rather than the short-time interests of shareholders. The focus must be on fundamental principles. Unnecessary and complicated regulation in detail should be avoided.

*Less is more*. The design of financial products should be simple in the functioning as well as in the provisions of the contracts. Transparency is the key to conquering the present crisis, and first and foremost to avoid future crises.

*This article was first printed in Danish daily* Information *on Dec. 22, 2011.*

*Translation: Luise Hemmer Pihl*

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# The new Duma

**IDA MAGLI**

**F**inally the planners of the European Union took off their mask. A weak one, transparent, almost useless, a mask that they wore until now – but still a mask. *Market, market, market*; *finance, finance, finance*; and most of all: *democracy, democracy, democracy*. From now on, not any more. Down with Democracy, up with Dictatorship. The *New York Times* is celebrating its new hero: King George [Napolitano, the Italian president] who with just one stroke succeeded in handing over the government of Italy to a person who was never elected. He transformed the Italian Parliament into a Communist Duma [the Soviet parliament]; he had a deep nostalgia of the Duma, where there was one single party that always approved the decisions made by Stalin.

Now we see the real purpose of the "debt" question. The bankers of Europe and of the whole world keep repeating that the Nations are on the verge of collapse not because they gave up their monetary sovereignty, but because they *did not give up all their sovereignty*: financial government, taxes, pensions, foreign policy ... In brief: what do Nations want? Do they still pretend to be Nations? Do they want to keep some sort of sovereignty? This is just "Piigs" nonsense. If national governments had not interfered, the Euro could have been the strongest currency of the world. They must learn from the "model schoolboy", Germany! Germany is the smartest one! Germany just had to change the name of its currency and is doing business with all the world, especially with its nice neighbour, Russia. After all it was the great guru, Herr Kohl who set the value of the euro, equal to the mark. What about those who had the Lira or the Drachma, whose value was less than a hundredth of the Mark? It was their own governors who betrayed them, so what's the matter? They can keep on limping along; Germans are not supposed to worry about their allies or subjects. In the European Union allies and subjects coincide: they just have to obey and do their homework.

Now we are at the point of no return. Citizens do not have any power – unless they chose to rebel, something that nobody wishes. Italian parliamentarians are the ones for whom it is still possible to save Italy as a sovereign and independent State, if they do not betray their fellow citizens. If we keep on walking towards European unification, we will be totally dominated by the bankers, we shall lose all our freedom and we shall become poorer because of the rising amount of our debt.

One thing is certain: if a State does not have its own currency, but a common currency for which it is paying interests to the Central European Bank, we can only see our debt rise, and we will have limited opportunities on the market. Parliamentarians must think whether they want to be remembered in History because they voted YES, approving all this. If they have any doubt, they should ask the voters to make the decision: promoting a referendum on the European Union.

*Translated by Marina Mascetti*

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Books in English:
*Cultural Anthropology*, 2001
*Women and Self-sacrifice in the Christian Church: A Cultural History from the First to the Nineteenth Century*, 2003
*Taboo and Transgression – Jesus of Nazareth, 2009*

# Poland's Premier is leading his country into a new slavery

JULIAN ROSE

As most Polish citizens can hardly fail to notice, Europe is experiencing a time of growing economic turmoil. So much so, that leaders of Eurozone countries are now desperately searching for ways to prop up their tottering national economies as well as to maintain commitments to what is termed 'monetary union' – the Eurozone holy grail.

Countries outside the Eurozone also find themselves caught up by the effects of the gathering financial storm and are attempting to pitch their camps as appropriately as possible to deal with it.

But one thing that countries both inside and outside the Eurozone share is a common problem of 'debt'. Levels of national borrowing (sovereign debt) have, over the past decade, exceeded the ability of countries to pay back the ensuing interest and capital within permitted time limits, thus catalysing the 'restructuring' of these loans by the lenders and the setting of new terms for repayment. The 'lenders' are thus put in a position of great power; they can pull the strings and set the agenda – so long as the countries which are borrowing wish to maintain their particular monetary policies and ambition for 'economic growth'.

Poland, however, finds herself in a position of reasonable resilience to the Eurozone storm. With an economy that is largely internally stimulated and not overtly reliant on exports, the Country looks in fair shape to resist at least the worst consequences of the black hole into which the Eurozone is rapidly turning.

All the more bizarre, then, is the determination of Prime Minister Tusk to throw his Country right into the centre of the black hole and thereby to surrender Poland's hard-won independence to a bunch of unelected technocrats who are the puppet-masters of the European Commission and its various agencies.

Donald Tusk is making a name for himself by singing the praises of the European Union at every opportunity. A few months ago he he was quoted as saying that "The European Union is the greatest institution in the World." He has now been joined by the foreign minister, Radoslaw Sikorski, who seems particularly keen on supporting German leadership of radical reforms to the Eurozone. Tusk and Sikorski are, it seems, absolutely determined to hook Poland into the Euro and 'monetary union' within four years – "provided the Eurozone undergoes necessary reforms" (Sikorsky).

So what might these reforms be?

If Angela Merkel's reform package does indeed become the accepted way forward, it will mean that Brussels will have hugely increased power over the economic and fiscal affairs of Eurozone Countries. They will have to account to the European Commission and be open to the surveillance and even management of their economies, so that near guarantees can be made as to the credit worthiness of each Country.

Tusk is gunning for just such a recipe for Poland's future. One which "will make Europe an effective enterprise with mechanisms of internal control and discipline" (Tusk, *Warsaw Voice,* December 5th, 2011). According to this ethos Polish citizens will find themselves paying contributions not only to Brussels and Warsaw but also into the European Central Bank in Frankfurt. Under such a regime, Poland will simply become 'a unit of administration' in a bureaucratic spider's web whose nerve centre is situated within the unelected cabal in Brussels. The danger lights should be flashing.

The European Union has already been responsible for hundreds of petty rules and regulations that make daily life more and more tedious and onerous. But they also include some very direct interference in civil liberties that strongly suggest a movement towards a totalitarian, centrally controlled Europe, where decisions will be taken without public debate – because they are unilaterally deemed "the right choice for the economy." Such proclamations have their origins in corporate greed. A disease which stands behind all political insistence on obeying the demands of 'market led' monetary forces.

In Poland, these same corporate and government calls to 'put the economy first' are currently being used to put the squeeze on both citizens and the natural environment. Just witness the covertly calculated attempts by government to by-pass vital public debate on the huge hazards presented by GMO and by hydraulic 'fracking'[1] for underground gas supplies. The deputy minister of the environment, Bernard Blaszcyk, recently stated "We will do everything to assure that protests are not able to stop shale gas exploration in Poland". Such threatening language is becoming the hallmark of institutions that appear to be moving inexorably towards dictatorship rather than democracy. The same barely veiled threat characterises Tusk's and Sikorski's increasingly strident calls for Poland to become deeply engaged in the Eurozone.

But by lending support to the 'one currency for all' euro regime we would be selling our souls to the shadowy architects of a 'one world government'. An institution which would, if it were allowed to manifest itself, exercise a total controlling influence over all our lives and over which we would have no redress.

Already Greece and Italy have, at the blink of an eye, become the recipients of unelected technocrat leaders, whose job it is to enforce austerity measures meted out by the International Monetary Fund (IMF) and the European Central Bank. When Prime Minister Papandreou stepped forward to offer the Greek government a referendum on whether they wished to accept the terms of the IMF, he was viciously attacked by the architects of the Eurozone. His courageous stand lasted just three days, the idea that the people should be asked their opinion on this momentous decision was smashed on the weathered rocks of the Acropolis, the birthplace of European democracy.

Polish citizens need to ask themselves just why Mr Tusk is so keen for his country to join this unbending cabal? Just why is his government looking to the German nation to take control of the future of Europe – and consequently the future of Poland?

There are historical lessons that supposedly have been learnt – the hard way. No *one* country or *one* entity (the European Commission) should be given the authority to take a dominant role in pan European decision making. The future freedom of our children and grandchildren demands that we never allow ourselves to become slaves to such a centralised nexus of power. And this means vigorously taking control of our individual and collective destinies in the here and now.

European nation states can manage their financial and social affairs without being dictated to by the European Commission or the German Federation. In the loosely-knit extended family which is Europe today, no two countries and cultures are 'the same' nor do they wish to be. We should celebrate this fact, because that is the beauty of our individual and diverse Europe. Yet the 'fiscal unity' medicine of the Euro plan would squeeze this individuality into Orwellian conformity, turning the richness of diversity into a sterile monoculture, to be overseen by faceless corporations and tunnel-vision bureaucrats.

Right now we have a vital opportunity to cut short the advance of this monster – which is looking to force its way to absolute control over the democratic experiment. For Poland, this will mean citizens resolutely demanding a public debate and referendum on the Country's desire for – or rejection of – becoming a co-partner to a supranational technocracy that has no roots in the European tradition and no public mandate to set the rules of other nations.

*December 2011.*

*Note 1. Hydraulic fracturing is the propagation of fractures in a rock layer caused by the presence of a pressurized fluid. Hydraulic fractures form naturally, as in the case of veins or dikes, and is one means by which gas and petroleum from source rocks may migrate to reservoir rocks. However oil and gas companies may attempt to accelerate this process in order to release petroleum, natural gas, coal seam gas, or other substances for extraction, where the technique is often called fracking[a] or hydrofracking. (Wikipedia)*

Sir JULIAN ROSE is an early pioneer of ecological farming, integrated rural economies and decentralised community regeneration. Farmer, writer, holistic thinker, broadcaster and activist, Julian campaigns against all attempts to sterilise our living earth and creative aspirations, and expresses belief in the power of the human spirit to awaken new life and hope.

His latest book is *Changing Course for Life*, 2009.
See more at http://www.changingcourseforlife.info/
In Swedish: *Byt spår för livet*, 2011

# Boom, Bust Crunch: Is there an Islamic solution?

HAITHAM AL-HADDAD AND TAREK EL-DIWANY

The credit crunch has sponsored much discussion on the need for a new approach to banking and finance. While the Islamic financial system has been mentioned as a possible alternative in this regard, it is widely recognised that this system has itself been largely modelled on its interest-based counterpart. Both share the same material goals and adopt the same institutional structures, with the result that the products promoted by the Islamic finance industry are often indistinguishable from those of interest-based institutions. In an Islamic mortgage, the home-owner is in debt to the finance company just as he would be in an interest-based mortgage. Should he fail to make payments when due, the home-owner faces the same threat of repossession and negative equity that clients in the interest-based sector face. In the sukuk market, corporations are funded at financing rates that are specified at the outset of a transaction, just as in the interest-based bond market. Meanwhile, the practice of tawarruq allows Islamic banks to provide their clients with interest-bearing loans in all but name, through an elaborate combination of commodity trades.

These similarities have led some insiders to concede that the Islamic banking and finance industry has failed properly to implement the ideals upon which it was founded more than thirty years ago. They fear that a gradual merger between Islamic and interest-based finance is taking place, encouraged by commercial and political factors. Others wonder how such a vital function of Muslim society can be founded upon contractual devices that so many of its scholars reject: the enforceability of a promise being a particularly widespread case in point.

A serious and nimble response to these concerns is often hindered by a lack of intellectual honesty within the Islamic finance industry itself. Platforms are rarely provided to scholars who wish to take one step back and question some of the fundamental concepts that are being applied. Few questions are raised regarding the validity of Islamic debt financing, limited liability structures, speculative methods of market trading, or the nature of the monetary system. Such matters are given little attention in the headlong rush to copy interest-based methodologies and this has resulted in a number of embarrassing paradoxes. For example, while some Islamic investment managers attempt to develop Shari`ah-compliant short-selling techniques, several western authorities are banning the practice on account of the instability that it causes. Most serious of all is the fact that, having copied the western template of finance, the Muslim world is in no position to point to a viable alternative at this time of crisis. In a few short months, thirty years of strategy have been debunked, and our industry leaders are left with little to say.

All of this is something of a tragedy, for a financial crisis of the present kind would not be experienced if the requirements of Shari`ah were properly implemented. Take for example the issue of risk-sharing. If commercial banks were required to share the profits and losses of their clients, whether on business investments or home purchases, they would be much more careful when choosing which deals to finance. This is because their financial returns would depend on the performance of the projects that they finance. Interest-based lending secured by collateral substantially divorces bankers from their clients' risks, and causes heavy conflicts of interest. In many cases, the banker who signs a loan deal has already collected his bonus and retired by the time the deal goes bad. Interest-based finance also biases the provision of funds to those who are already rich. People with good ideas but no collateral (in other words, poor people) often fail to attract finance under this system, with the result that wealth inequality increases from one generation to the next. Risk-sharing finance does away with such conflicts and brings greater stability to economic activity. If the value of a bank's liabilities was determined by the performance of its assets, there would be no sub-prime crisis now.

Unfortunately, risk-sharing techniques do not predominate in the world of modern finance. In fact the intention is often the opposite. Entrepreneurs and bankers like to increase risk, and then insulate themselves from it, in order to increase their return on capital. By borrowing from a bank at 5% interest and then investing in a business that makes 20% profit, the entrepreneur takes away 15 pence in profit for every pound invested. Commercial logic encourages such entrepreneurs to borrow heavily and grow their business operations. One consequence of this approach is that a few large organisations have come to dominate the business landscape. The heavy indebtedness of such corporations means that a moderate rise in interest rates combined with a moderate fall in revenues can quickly erode an entire profit margin. This is one reason why share prices can change so dramatically over relatively short periods. Furthermore, interest charges on bank finance are a cost item in the production process and therefore act to increase the price of goods and services. The interest payments that society receives from the banking system are therefore funded by society itself.

Another factor that leads to increased market volatility is the facility that exists for buying shares on deferred payment terms, or for selling them on deferred delivery terms. The result can be sudden swings in price as large numbers of sellers or buyers appear in the market, as if from nowhere. Under Shari`ah, ownership of a share is a pre-condition for its sale. Hence, there can only be one seller for each share at any one time. Secondly, the use of margin trading and forward trading is heavily restricted under Shari`ah. In other words, when trading shares, one or both countervalues (shares or cash) must be exchanged in full on the spot. By the application of these two rules alone, speculative forces are substantially reduced in financial markets.

The most powerful destabilising factor of all in modern markets is the activity of money creation by the banking system. By creating money out of nothing and lending it into circulation, central banks and commercial banks have together caused a succession of speculative bubbles that can be traced back more than three hundred years in the western world. When newly-created money is spent on assets such as property and shares, their prices naturally tend to rise. Conversely, when banks reduce the rate of money creation, buyers disappear from markets and prices begin to fall. The ability to create money is therefore a hugely powerful political and economic tool, and one that is almost always abused in due course.

For this reason, Muslim thinkers such as Mahathir Mohamad have promoted the use of gold and silver as legal tender in place of 'representative' forms of money such as paper and electronic data. Unlike representative money, gold and silver cannot be created out of nothing. Under the precious metal monetary system, no organisation has the power to create money without cost, and this is one important guarantee of stability in the monetary system. We find that two Islamic regulations in particular work to prevent money creation by the banking system. These are the law of trust and the prohibition of interest. By issuing 'promises to repay' that are in excess of their cash reserves, and by lending these promises at interest, modern banks have contravened both of these regulations in order to earn profit.

If Islamic finance has indeed copied the methodology of interest-based finance, why are some commentators pointing to it as an example of stability during the credit crunch? Firstly, the Islamic finance industry is relatively small compared to its conventional counterpart, and the problems that it is experiencing can therefore be resolved mostly in private. Secondly, Islamic investment funds avoid investing in the shares of companies that are heavily indebted with interest-based loans (the shares of such companies have naturally performed better than those of companies that are heavily burdened by debt). Thirdly, the Gulf banking system is awash with the inflows of cash that have resulted from the high oil prices of recent years and this has so far insulated them from the liquidity problems that are being suffered by western banks. Only the second of these factors reflects a core difference of principle between the worlds of Islamic and interest-based finance, and this we applaud.

The current crisis has clearly been used to justify the re-capitalisation of the western banking system, but has there been anything deliberate in it? Even in today's world, there are few ways of obtaining a trillion dollars of new capital in just a few weeks, and we remain unconvinced by recent events and the public narrative surrounding them. What is clear to us is that much of the cost of saving the banking system will be paid by those who have been so hopelessly indebted by it. However, a part of that cost will also be paid by those who have provided loan finance to the western economies in recent years.

In due course, it is almost certain that the huge amounts of new money created as part of the 'bail-out' will lead to high inflation. The real value of western debt will be reduced at the expense of those who presently hold it, notably institutions in Asia and the Gulf. The US administration may regard this as a means of giving life to an economy that is suffering under the strain of wars in Iraq and Afghanistan, but it is unlikely to halt the gradual flow of economic power to the east. In the meantime, those who wish to protect themselves from financial manipulation should remember that precious metals have been a better long-term store of value than representative money throughout history.

In our opinion, much of the Islamic banking and finance industry is a soft version of the secular system that we have described above, and it will therefore suffer from the same systemic problems. The proof that Islamic banks do not genuinely engage in risk-sharing will be that defaulting clients of Islamic banks suffer the same consequences as clients of interest-based banks. The proof that Islamic banks engage in money creation will be that the 'Islamised' economies of the Muslim world suffer the same inflation and boom-bust cycle that is evident in the West.

We call for a reconsideration of the objectives, institutional frameworks and contractual methodologies of the modern Islamic banking and finance industry. This effort must encompass the full range of technical and scholarly opinion, and it must have sincere political support. Some may argue that our scholars have indeed consulted with technical specialists when formulating their positions on these issues. We say that this is not so. The reality is that large global banks and a narrow selection of individuals have been allowed to set the agenda for the scholarly community. It is true that every journey begins with a single step, but in this case our first steps have taken us in the wrong direction.

We are being led along the same road that defeated the usury prohibition in Christendom, and far from being part of the solution, our industry may soon become part of the problem. The Muslim world can do better than this. We have the solution that everyone is asking for, and what we need now is to truly believe that.

*This article was published in 2008 at*
*http://www.islamic-finance.com/item153_f.htm*

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# Transaction tax and the EU

**SØREN SØNDERGAARD**

In my opinion, there are certainly good arguments in favour of a tax on exchange transactions and other financial transactions.

But the proceeds should revert to the poor countries – not to the EU which would spend the money on farm subsidies and salvage packets for the banks.

And that is exactly what makes the recent proposal from the EU Commission problematic. According to this proposal, financial transactions should be taxed and the proceeds channelled on to the European Union. The aim of this proposal is to make the EU less dependent on money from the member states. Such a development would further deprive the peoples and the national parliaments of influence in relation to the EU.

In November 2011 the Danish government turned down the EU Commission's proposal on the grounds that a transaction tax should of necessity be global.

A strange attitude in a government the parties of which have for decades been advocating the handing over of more power to the European Union. But when it comes to financial transactions even the European Union is not enough. It seems that now the whole world has to agree before anything can happen.

Instead, the Danish government ought to work towards a "coalition of willing countries" that would show the way and introduce such a tax. If the EU countries really would undertake that task it would be OK by me.

But any such coalition must of course be open to any country that supports the proposal, whether it is an EU member or not.

And this condition is sufficient to make the idea that the revenue from a financial transaction tax should go into the European Union's coffers absurd.

SØREN SØNDERGAARD is a member of the EU Parliament, representing the Danish People's Movement against the EU

# Financial collapse and the reversion to the local

JULIAN ROSE

Read the daily news, even in a relatively mainstream newspaper, and you cannot fail to notice that an unprecedented event is unfolding in front of our very eyes; the simultaneous collapse of two of the world's largest economies: the United States of America and the European Union.

Both appear to be teetering at the edge of a financial precipice and the great politico-bureaucratic machines that run the show – on both sides of the Atlantic – seem incapable of agreeing what economic medicine might keep this beast on the rails.

They, and we, are now learning that in a finite world no resource is infinite, least of all institutionalised financial wealth whose very existence is dependent upon interest payments made on capital lent to those who cannot sustain the levels of repayments demanded of them. In a 'debt based' economy (which ours is) all participants will ultimately land up losers.

We cannot know the exact timing surrounding the unhinging of a large sector of the global market place, but that some form of large scale collapse is imminent, there can be little doubt.

With this collapse will also ultimately go the entire foundation of modern-day capitalism, and particularly the "perpetual growth"-based economic formulae that have driven this planet to the edge of ecocide, and the mad growth machine perilously close to its own ultimate demise.

The vast debt-based financial manipulations of the past decade already signalled that a global crisis was in the making. And attempts to solve this crisis by applying an ever-tighter squeeze on the already minimal assets of the working man and woman has now reached a "back against the wall" point of no return, provoking the first waves of citizen based "non compliance" uprisings. We are likely to see more of these as the elite bankers and corporate despots who hold the reins of power try to hang onto this power by exerting their repressive authority on an increasingly disenchanted people.

The entire edifice which we were led to believe constituted the secure foundation of a modern civilisation is now falling on its knees, and the centuries-old profligate 'top down' theft of both people and the planet is now rebounding on its perpetrators, dragging all and sundry in its turbulent wake. As a result, we are, in the next half decade, going to pass through the vortex of a huge change to our customary ways of life. A change for the better, if you don't like the 'take-all' consumerist package at the helm of modern neo-liberal capitalism. A change for the worse if you do.

Desperate rescue attempts will of course take place in which billions of dollars, euros, pounds, yen and roubles will be thrown at the sinking banks, financial institutions and corporate marketing machines, in a vain attempt to resuscitate – one more time – the dying machine. But it won't rise again because there is no crane big enough to lift it out of the grave it has dug for itself.

**What will this mean to you and me?**

Well, that depends on how reliant we each are on the trappings of the neoliberal consumer society.

If we are heavily reliant, we will have a long way to fall and will not have an easy landing. If we are not too trapped we will have less far to fall and may have a softer landing. However, we will all be subjected to an intense propaganda campaign as the wounded beast throws out its grasping tentacles to try to enslave us further in its accelerating demise. Beware of this. We will be heavily indoctrinated not to let go of old patterns of thought and behaviour which give a false sense of security concerning the strength of the status quo to see us through "these hard times". We will be led on – even by many of our friends – to tow the line and submit to the "austerity" measures dictated by our increasingly autocratic governments. Beware of this, for it is a deception. Austerity demands that hard-working people continue to cut back on their meagre savings in order to enable the elite wealth-mongers to maintain their seemingly impenetrable financial empires.

Crises are created by those at the sharp end of the power pyramid and have proven to be invaluable tools for the enslavement of the many. The main card in their austerity pack is the 'fear card'. If we can be made to feel sufficiently frightened of what may lie on the other side of the collapsing financial world which is their citadel, then we will be more likely to do all that we are asked to do to avoid further rocking the boat. However, this is the road to unconditional slavery – and it is what dying monsters feed upon to retain their self-delusions of power.

So, if we want to avoid serfdom to the beast, we had better sit down and honestly ask ourselves here and now – before its too late – just what might lie on the other side of global economic collapse?

It will require some fortitude to look this question in the eye. It will require a deepening of our perceptions of what is actually going on around us and a willingness to research what forces stand behind extreme cyclical historical events. It will require recognition of the part that we ourselves – as well as our ancestors - have played in bringing about such crises and an awareness of the fact that they are largely a reflection of our own state of being. For the road to the great collapse is a long and pothole-strewn one and is made up of many decades of blind adherence to false gods.

We are all complicit – on different levels – and only by admitting this can we start to put things right.

Only when this first hurdle has been crossed will we be able to start constructing a proper platform for positive change. A platform which necessarily reintroduces us to some very simple premises concerning what steps to take to avoid being swept away, or reduced to serfdom, by the tsunami of global upheavals that are now underway. I use the term tsunami advisedly because the way the planet has been treated over many generations of abject resource plundering, perpetual war and the toxic poisoning associated with excessive corporate greed has resulted in a state of unprecedented geological, atmospheric and social destabilisation. A state mirrored by the current financial meltdown itself. How could it be otherwise? The two are inseparably locked into a cause-and-effect domino that has now reached breaking point.

Our ecology and climate cannot exist in hermetically sealed isolation from our financial activities.

The wounds we inflict upon our this Earth reverberate throughout and the repercussions return to haunt us. So, in taking our first steps of mitigation in the face of a world succumbing to both geological and financial turmoil, some very elementary questions shift into the foreground:

"Will I have the ability to procure enough food to feed myself and my family?"

"How can I be sure to have regular access to this resource?"

"How will we ensure that we have the basic security of a home, fresh water, warm clothes and enough energy to provide warmth, light and adequate cooking facilities?"

"What about our friends?"

"What if our savings are not enough to buy what we need?

"What if supplies dry up?"

All these questions will crowd into the mind once we allow ourselves to face the truth. They are very valid questions – and they have answers. However, the right answers will not be arrived at via panic or fear. They must be nurtured into existence through prioritising another medium, an approach to problem-solving which draws upon our latent creativity, inventive powers and love of life. As Albert Einstein so aptly pointed out "One cannot solve an existing problem using the same mode of thinking which created it."

Metaphorically speaking the answer to all our questions lies 'right in our own backyards'; and metaphysically speaking we will be guided – provided we remain flexible enough to allow our old skin to fall away and a new skin to emerge in its place. The very same process which our planet is now undergoing via the tumultuous cleansing process which will ultimately throw off the toxic burden of generations of misguided inhabitants.

So now is the time to act in mitigation against being caught on the wrong foot before the collapsing structures of the old regime force us into last-minute panic-based survival actions. It is now time to seek out real answers and take real steps.

Emerging amongst the detritus of failing financial institutions and the war stained ambitions of global corporate giants is a growing awareness that we have almost completely neglected the resources we have available to us right in front of our eyes; that a global problem often has a local solution and that this solution might not involve a seemingly inevitable descent into a lowly and disagreeable struggle to survive. On the contrary, it could lead to a more honest and simple approach to life which could enrich, rather than impoverish, the spirit while redeeming a lost sense of connection with the natural world.

Should enough of us decide to pursue such a path now, we just might be able to relieve our planet of a whole extra level of suffering which is sure to be experienced unless a significant change of course is undertaken by a critical mass of humanity.

In the final analysis, there is not much choice in this matter. Once a combination of crises in the food, air, energy and water sectors reaches criticality, many are either not going to be able to afford to fulfil their customary daily needs or will not be able to access them due to transport and infrastructural blockages.

However, we are conditioned to believe that such events will probably never actually happen in Western Europe and North America. Our corporate-owned western media do not want unduly to alarm paid up members of 'consumer-soc plc.'. They don't want too many thinking they might have to change their ways – for example by ceasing to watch TV and to stop buying from supermarkets. So, as long as we carry on consuming "the daily diet for the dumbed down" there is little or no chance of responding to the rising winds of change that are blowing across our overburdened planet. But free the mind and take a few steps out of this virtual reality world which we have so carefully constructed for ourselves – and suddenly the truth starts to make itself felt.

**And just what is this truth?**

It was put very nicely by Dr Fritz Schumacher, the author of *Small Is Beautiful*, some forty years ago. While lecturing in North America, he was asked if a switch from fossil fuels to human scale and regional renewable energy sources would mean that we would all have to accept "a lower standard of living?"

"No" he replied "I don't subscribe to the term 'lower standard of living' to describe a state in which we freely elect to move towards a life of voluntary simplicity." A life of voluntary simplicity means a turning away from the heavy ecological footprint excesses of our twenty-first century consumer society and finding that we can manage well enough – or even rather better – on rather a little; provided that this 'rather a little' is genuinely good quality and doesn't harm our environment, our body or our soul. An aware mind and a light ecological footprint are therefore prerequisites for life both before and 'after the crash' , and the sooner we begin to be guided by them the less devastating the repercussions of this crash will be.

Rather than list the thousands of localised self-sustaining group initiatives that are currently emerging in counterpoint to the tottering globalised economy, I prefer to recommend that we pay attention to what I have named "The Proximity Principle." The Proximity Principle is perhaps best understood as a blend between a law of physics and what we once called 'common sense'. It instructs us to think and act on the basis that where we reside (hamlet, village, town, city) is the centre of a circle – and what we need (daily necessities) fan out around that centre like spokes from the hub of a bicycle wheel. It says that we should try to access the majority of our daily needs for our physical well-being and nourishment from an area as close as possible to the centre of the circle where we reside. Thus we seek to access our fresh food 'from our own garden'; our local independent small grocer; our farmers' market – or perhaps even directly from our nearest ecologically aware farmer.

Large cities present a serious challenge: some highly creative collective 'greening' is about the only practical life line available to citizens living in population densities of over a million. Very large cities such as London access the great majority of their food and energy from abroad and this makes such city dwellers particularly vulnerable to the increasing oscillations of the global market-place.

For such vast conurbations, the provision of food alone requires an energy-intensive and complex coordinated operation which is likely to break down once secure financial backing is no longer guaranteed. Processed foods require a further energy input and long-distance transportation yet more.

"Fresh local food", however, requires very little energy input and is alive with vital nutrients and vitamins that are lost in transport, packaging and days on neon-lit supermarket shelves – all factors contributing to the demise of our planet Earth. And so with energy: start again from your own wood-burning stove; passive and photovoltaic solar panels or small wind generator, or link into a community renewable energy scheme. Obtain your firewood from a local timber merchant or farmer/forester. Make a serious effort to wean yourself off 'the national grid' and the supermarket (hugely consumptive energy footprint) and start supporting the local traders of your community: when the chips are down and the lights have gone out – it is here where your solution lies and the relationship we build with our local community will define how well we cope down the pathway to 'voluntary simplicity'. It is only at the local level that we can participate in the intimate trading transactions that connect the ecological farmer, forester, blacksmith, baker and transporter. Having money will not be so important when bartering and exchange once again become community-led activities. Unless we are connected into the dynamic of this infrastructure, our chances of getting through coming seismic events without too much pain are very small.

By following "The Proximity Principle" we will be guided towards the most elegant economic, ecological and socially constructive solutions concerning the sane management of our daily lives.

Such an approach also has the potential to catalyse a renaissance of meaningful relationships and cast a fresh light on shared creative endeavour – in the fields, on the streets and in the home. We will discover that there really are local solutions to global problems.

# Heroes and murderers – can we see them as two sides of the same coin?

URI AVNERY

It is possible to move from a prisoner exchange agreement forward to a full peace agreement

The release of Palestinians prisoners could be part of building trust between the two peoples

Like every Israeli citizen today, I welcome Gilad Shalit with all my heart on his return home. I am happy for his parents, who have conducted such a dedicated and persistent campaign, touched the heartstrings and moved the government and did the impossible – to return their son home.

On this day I can also feel happy for hundreds of Palestinian families who get back their sons, some after decades in prison. Many among us find it difficult to understand how people who are considered in Israel as heinous murderers are regarded on the other side as heroes.

This is not the first time in history that people are considered despicable terrorists by one side and as freedom fighters by the other. The Etzel and Lehi undergrounds carried out numerous operations in which civilians were killed.

I myself joined the Etzel (Irgun) at the age of fifteen, in protest against the execution of Shlomo Ben Yosef, who had fired on a civilian bus full of Palestinians women and children, with the intention of indiscriminately killing its passengers. In the State of Israel, Shlomo Ben Yosef is considered a hero, for whom streets are named and whose picture appeared on postage stamps.

In recent days the media was full of demagogic assertions that 'undoubtedly' prisoners released now would resume taking part in violent acts against Israel. This is definitely not pre-ordained, and to a considerable degree it depends on us, too.

Indeed, if we continue to insist on not achieving peace, if we continue the occupation and oppression of the Palestinians, then the conflict would continue and mutual bloodshed would go on – whether or not we release prisoners. But if we manage to pass onward from an agreement on prisoner exchange for a peace agreement between the State of Israel and the State of Palestine, it might be possible to make the release of prisoners, carried out today, into as part of building trust between the two peoples.

Let us not forget that many Palestinians prisoners learned Hebrew in prison, and they know Israel better than almost any other group among Palestinians. Many prisoners who were freed after the Oslo Agreements became known among their people as outstanding adherents of peace.

In the framework of a peace agreement, it would be possible to reach an agreement on freeing all the Palestinian prisoners – not as 'a heavy price' to be paid with despondency and among a controversy, but as an act of opening a new page between the two nations – as in South Africa, where all prisoners from all sides were released at the end of Apartheid. Nelson Mandela – who himself spent twenty-eight years in prison for on charges of terrorism – signed upon his election as President also the pardons of white racists who had murdered blacks.

*October 17, 2011*

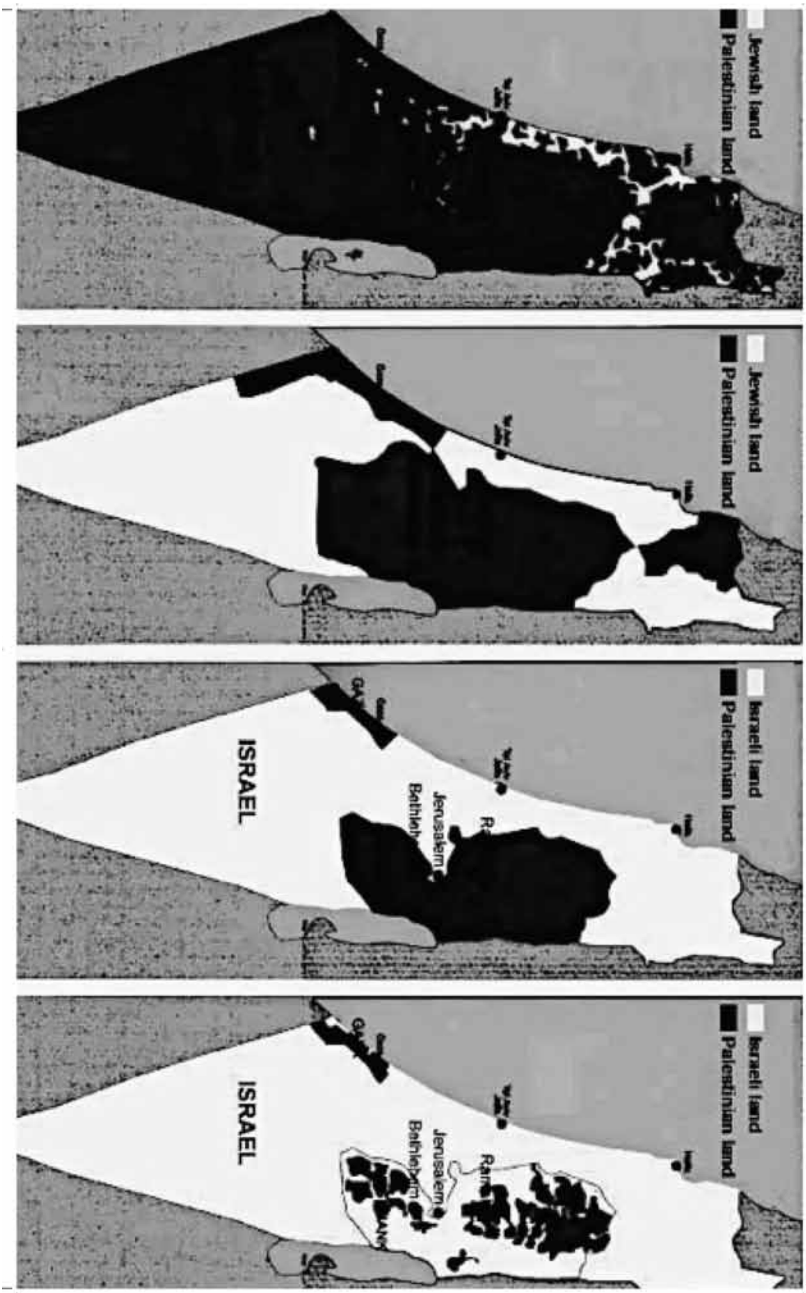
URI AVNERY is an Israeli writer and founder of the *Gush Shalom peace movement*.A member of the Irgun as a teenager, Avnery sat in the Knesset from 1965–74 and 1979–81.He is famous for crossing the lines during the Siege of Beirut to meet Yassir Arafat on 3 July 1982, the first time the Palestinian leader ever met with an Israeli. Avnery is the author of several books about the Israeli-Palestinian conflict, including *1948: A Soldier's Tale, the Bloody Road to Jerusalem*, 2008; *Israel's Vicious Circle*, 2008 and *My Friend, the Enemy*, 1986. (Source: Wikipedia)

# Aims of Gush Shalom – Israel's peace movement

The primary aim of Gush Shalom is to influence Israeli public opinion and lead it towards peace and reconciliation with the Palestinian people, based on the following principles:
Putting an end to the occupation,
Accepting the right of the Palestinian people to establish an independent and sovereign State of Palestine in all the territories occupied by Israel in 1967[1].
Reinstating the pre-1967 "Green Line" as the border between the State of Israel and the State of Palestine (with possible minor exchanges of territories agreed between the parties); the border will be open for the free movement of people and goods, subject to mutual agreement.
Establishing Jerusalem as the capital of the two states, with East Jerusalem (including the Haram al-Sharif) serving as the capital of Palestine and West Jerusalem (including the Western Wall) serving as the capital of Israel. The city is to be united on the physical and municipal level, based on mutual agreement.
Recognizing in principle the Right of Return of the Palestinian refugees, allowing each refugee to choose freely between compensation and repatriation to Palestine and Israel, and fixing by mutual agreement the number of refugees who will be able to return to Israel in annual quotas, without undermining the foundations of Israel.
Safeguarding the security of both Israel and Palestine by mutual agreement and guarantees.
Striving for overall peace between Israel and all Arab countries and the creation of a regional union.

1. This refers specifically to all the parts of former Mandatory Palestine occupied by the Israeli army in 1967 – not to parts of Syria and Egypt.

See more at http://gush-shalom.org/




**Maps top to bottom:**
1. Palestinian and Jewish land 1946
2. UN Partition plan 1947
3. 1947-1967
4. 2000

# Israel and Palestine

JOHN PAPWORTH

The tragedy of Israel is that it is essentially a colonial-style exercise over the people of Palestine in an historic era when colonialism is being downgraded and eliminated to the point of extinction.

The tragedy of Palestine is that its people are being made to pay for the monstrous horrors inflicted on the Jewish people in Europe, and the prospects of two independent states, of Israel and of Palestine, co-existing in peace and harmony would appear to be non-existent.

Both are frightened of the other as being, when they are both recognised, as a threat to the other's existence. The situation is made complex to the point of being insoluble by the territorial ambiguities that prevail. Both lay claim to Jerusalem and neighbouring territories and both, it should be recognised, can adduce powerful arguments in support of their claims.

The Israelis are insisting on what may be called an American solution where, with guns, money and sheer numbers, they can insist that their form of law and government can be imposed on the indigenous peoples for evermore. In fact they may be finding that, despite all their power, it is not a tenable, democratic or even decent assumption. In terms of human rights the world has moved on, and if a black American President has come to be accepted it may be the prelude to the acceptance of an even broader and more generous understanding of the rights of the native Indian American peoples to their own forms of government. It is not remotely acceptable that the subjection of the Palestine peoples to overlordship from the Israelis can be regarded as other than an outdated form of colonialism.

Nevertheless, just as the white peoples of the USA cannot be expected to give up and return to Europe, neither can the Jews be expected to surrender such security as they have been able to achieve in the Middle East. Is there then no way forward? Within present essentially rival mindsets it can only be a matter of time before both sides in the conflict will be armed and determined to fight until one or other, or both, is destroyed.

Why should this be? There are many Jews and Palestinians, probably most of them, who desire nothing more than to live in harmony and peace with each other; both are currently trapped in an essentially Victorian, Napoleonic, Tzarist, Bismarckian and Garibaldian concept of nationalism, of national identity, power and war-making capacity, which is no longer viable or reconcilable with modern economic, or ecological realities or democratic decencies.

There is one country in Europe which consists of four distinct peoples, four religions and four languages. Somehow they have not only formed a common government but, whilst the rest of Europe has gone from one gigantic war to another in which millions have perished, have lived in peace, harmony, prosperity and freedom for over five hundred years. How have they achieved this? At least the rest of the world, to say nothing of Israel and Palestine, should have the humility to take note. The confederal government in Berne deploys only the minimum forms of power, only those essential to the collective concerns of a mountainous territory. Where then is the real power deployed?

For such power we must look to the cantons, it is the cantonal governments and the governments of small communities within them where real power is exercised. Swiss power is not centralised, it is dispersed as much as possible, and it is on that basis important decisions are made. It is not a perfect system, for people are not perfect, but in terms of maintaining peace, economic stability and prosperity and a decent social order it can claim it works.

If Israel and Palestine go to war it will not decide who is right, just who is left. Before such an unspeakable tragedy ensues there are surely enough people in both communities ready to work out a solution, not on the basis of highly centralised governments, but on the basis of the dispersal of power into small localised communities on agreed terms.

Why not give it a try and work for the best? If armed conflict breaks out it is unlikely to be confined to the disputed areas; indeed the prospects of it developing into a global nuclear war are all too manifest.

JOHN PAPWORTH is a priest of the Anglican Church. He was the founder of *Resurgence* and *Fourth World Review*. He has starred in two BBC documentaries entitled *No Man is an Island* and *Turbulent Priest*. He has written the following books: *The Economics of Humanism, New Politics, Small is Powerful, Shut up and Listen* and *Village Democracy*. Papworth's main political inspiration is the Austrian philosopher Leopold Kohr. In 2004, John Papworth created village magazine *Purton Today*, a local ecological newsletter/magazine. His latest book is *Why Schools of Economics and Political Science Should Be Closed Down*, 2011.

# The New European

On November 29, 2011, Alþingi, the Icelandic parliament, authorized Foreign Secretary Ossur Skarpheðinsson to recognize the state of Palestine. thirthy-eight of the sixty-three Alþingi members supported the motion which recognizes Palestine as an independent state with the pre-1967 borders. Iceland is the first country in Western Europe to take this step, according to Iceland's foreign secretary.

Ossur Skarpheðinsson will, however, discuss the matter with the other Nordic countries, Denmark, Finland, Norway and Sweden, before formally recognizing Palestine.

Norway supports a new Palestinian state and is in the forefront in the United Nations negotiations on the issue, and Norway's foreign secretary, Jonas Gahr Støre, is ready to support an independent Palestinian state, financially as well as politically.

Sadly, there is not much chance of an early concerted Nordic action in the matter, as in January 2011 a majority of the members of Folketinget, the Danish parliament, turned down a motion from the United Left that Denmark should follow Iceland's example. The majority prefers to await an EU initiative.

Several East European EU member countries have, however, already recognized the Palestinian state.

In March 2012 a truce between Israel and the Palestinians was agreed on but broken by both parties. The solution to this problem, which is the problem of the entire world, not only of the two peoples who have to share this very restricted area, which one party calls Israel and the other Palestine, is still a long way off.

Iceland is well on its way to recovery after the financial disaster caused by a handful of irresponsible bankers. One of the reasons for this situation is the fact that the country has its own currency, the króna, according to Iceland's foreign secretary, Steingrímur J. Sigfusson. When the situation was at its worst the debt of the Icelandic be halved. The depreciation of the króna strengthened the country's economy.

At present Mr Sigfusson's elogium of the króna is not shared by a majority of the Icelanders, as 70 per cent of them want to abolish the national króna – but not to replace it with the Euro. Some suggest that joining the successful Norwegian currency, the krone, would be a good idea, whereas Prime Minister Johanna Sigurðardóttir has aired the idea of joining the Canadian dollar. No one is suggesting that joining the Euro would solve any future problems.

Logically so, as only 26 per cent of the Icelanders favour EU membership. This is in strident contrast to the activities of the government which is negotiatiating membership in Brussels and has promised a referendum on membership whenever the negotiations reach what it calls a satisfactory result.

The general optimism in Iceland is in striking contrast to countries such as Greece, Ireland and Italy, countries that are all sinking deeper into dept because their Euro membership forces them to compete with the strong German economy on the conditions set by Germany.

These conditions have not, however, been respected by Germany herself, nor by France. In 2003 the Commission threatened the two countries with disciplinary measures because they did not meet the convergence criteria. The procedure was stopped, which made it hard for the Commission to be strict when in 2007-2008 the so-called PIIGS countries showed signs of crisis, according to Dr Derek Beach of the Department of Political Science and Government at Aarhus University, who also points to the negative effect of the "one size fits all" interest policy of the European Central Bank.

The disastrous result was the financial crisis and the subsequent bailouts to save the banks, paid for by the ordinary citizen in all IMF and EU/EEA countries. In Estonia it has created widespread bitterness that the country's taxpayers are contributing heavily to solving the problems of Greece which has a higher per capita GDP than Estonia.

The taxpayers pay, but if ever Greece is able to repay the loans the money will go to the banks, the greater part to German banks.

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