

Monday, March 16, 2009

### **Did the free markets fail us in this meltdown?**

This morning on my way into the office, I was listening to CIUT, as I often do. Nena Baker was on Alternative Radio talking up her book *The Body Toxic*, and she cited the case of an herbicide called Atrazine. It seems to seriously mess up some frogs in lab tests, and from many indications is highly toxic. The chemical is already banned in European Union, where Syngenta, the company that manufactures it, is based.

It got me thinking. How on earth can anybody be expected to keep on top of this stuff? The next thought was "only a government could undertake it", and then I thought, as I normally do when I arrive at this type of conclusion: private companies can do anything a government bureaucracy can do, only better, faster, cheaper, more effectively.

Sure enough, by this time Baker was describing the inadequacies of the EPA's efforts at getting noxious chemicals banned. So if there were private companies who were conducting these watchdog functions under contract to agricultural businesses and consumer stakeholders, they'd do a much better job at shedding light on these problems, wouldn't they?

My free market uber alles mentality seemed vindicated. But... Then I turned by attention to the bond ratings agencies. If the free market always sorts out the bad from the good with the relentless efficiency of that Invisible Hand, then why is every financial institution, pension fund, hedge fund and even sovereign wealth fund on the planet totally overweight in toxic sub-prime derivatives bearing the label AAA investment grade paper?

Instead of some horridly inefficient government bureaucracy dictating bond and debt paper ratings from a cubicle in the capital city right, let the market do its thing and these instruments will be marked to perfection by Moody's and S&P. Right?

Well, as experience has taught us quite painfully, not quite. Moody's and S&P have been revealed to be negligent to the point of complicit in rating subprime sludge as investment grade paper. Both privately owned, and presumably the market's self regulating counterforce to debt issuer overreach.

It didn't happen. They failed us big time. The only bright spot in the debt rating debacle is an almost unheard of bond rating agency called Egan Jones Ratings Co., whom nobody who is anybody on Wall Street takes seriously, who are practically laughed at when they downgrade anybody, and who seem to be right about things months or years before S&P or Moody's admit it.

This could be because Egan-Jones are paid by investors, those who buy debt paper, and probably the prescient minority of those, while S&P and Moody's are paid by the debt issuers, the geniuses who packaged together all this crap and sold it off. Egan Jones president Sean Jones, quoted in Bloomberg described it as:

"You have rating firms acting as meat inspectors, and unfortunately the rating firms are being paid by the meat producers. It underscores the severely flawed structure of the industry."

It finally occurred to me what the fundamental difference is between the two ideologies of government vs free market.

The government tries to prevent bad things from happening in advance. When this goes too far, it becomes a hopeless nanny state, top heavy with welfare and entitlements.

The free market sorts it all perfectly, but it does so after the fact. I.e Don't buy Ford Pintos. It's ruthlessly efficient, but does it's job, in extreme cases, by sorting out the corpses.

Over the long run, the free market's wisdom always prevails. Egan-Jones star is rising, Moody's is waning. Doesn't help us now, but the quants and bankers will hopefully be more risk averse next time out (unless of course they are completely insulated from their own blunders by government bailouts....here we go again)

But the long run doesn't help us out when we need it, now (and this is the justification for all this nonsense about these

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banks being "too big to fail"). The main thing Keynes got right was about the long run. Our entire economic system is built on the stuff he got wrong (Keynesian Economics), but about the long run he was spot on. He said "In the long run, we're all dead".

Posted by Mark Jeftovic in Armchair Analysis at 14:39

Tuesday, October 30, 2007

## **Are economic cycles that easy to predict?**

I'm currently reading Joseph H Ellis' *Ahead of the Curve - A Commonsense Guide To Forecasting Business and Economic Cycles*. So far there are a couple of refreshing departures from conventional consensus, like his views on "recession".

The idea of an economic recession should be an objective measurement of reality, instead, in today's climate it simply isn't discussed in polite company. According to the politicians, it'll never happen.

Ellis argues that whether we are headed for recession is academic, because recessions are lagging indicators of a down cycle, not leading ones. By the time a recession hits, he says, a lot of the economic damage has already taken place.

What really matters, according to Ellis, are a series of leading economic indicators and a shift in the way we measure economic data....

In a nutshell: it all starts with consumer spending. Consumer spending drives business industrial output and services, which in turn drives capital expenditures which then drives jobs. Employment numbers then, are another lagging indicator. No need to panic if the numbers come out badly, he says, because it may really be indicating a trough in the cycle.

It seems simple, and common sensical. I'm looking forward to reading through but I find it hard to reconcile some of the underlying fundamentals from my doom-and-gloom bear mentality to normal run-of-the-mill business cycle thinking.

Ellis does acknowledge that there are some abnormal imbalances in the system now, like the large US deficits (and he wrote this book in 2004! They're much worse now), he considers them of secondary importance to the cycles, not prime movers.

The problems I see off the top of my head are these:

Interest rates have been artificially suppressed - far below normal market rates for far too long. So consumer spending in the US has not been driven by rising wages and earnings these last number of years. They've been largely driven by unnaturally accelerated consumer borrowing.

Employment statistics aren't real - these figures just aren't accurate.

"Jobs created" aren't actually derived from counting real job creation, they are largely statistical constructs based on "hedonic adjustments".

People whose unemployment benefits run out are no longer counted as "unemployed".

No matter what happens, the number always comes out as 4.5% anyway. If Ford, GM, IBM and GE fired everybody in their workforce tomorrow, next month's number will be 4.5%

Inflation is not reported accurately - with oil over \$90 a barrel and the US dollar at all time lows, pretty well everything costs more, much more to US consumers. Yet inflation figures are reported "ex-food and ex-energy". To make matters worse, in strict terms inflation describes an increase in the supply of money, but aggregate money supply M-3 reporting was getting too scary, so it was simply discontinued.

I'll be interested to see where Ellis goes with his reasoning that the abnormal imbalances are secondary factors that don't really perturb the consistency of the overall cycle, and perhaps he is right, it may just be a matter of degree and intensity when the cycle turns.

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But given that of late, most economic data reporting produced by the government is subject to farcical adjustments and revisions that make the numbers more politically acceptable so as to not be out of line with the government party line on reality. It may be hard to track any business cycle based on economic data. Add to this the relatively new phenomenon of derivatives and we may really be into uncharted territory.

Posted by Mark Jeftovic in Armchair Analysis at 20:49

Thursday, February 8, 2007

### **That comfy cozy Nanny State**

A couple of recent developments have got me thinking about the nature of the socialist, nanny state, what it does to people's self-reliance and the insidiousness of entitlement programs in general.

South of the border, a minimum wage raise has been passed while up here the airwaves are full of cheery ads from the CDIC that the amount of bank deposits covered by the CDIC has been raised to \$100,000.

The Canadian implementation of deposit insurance is supposed to be funded by the premiums of its member institutions. Thus the CDIC is a Crown Corporation funded by its member banks and it pays out settlements from its own reserves, or if depleted it is allowed to borrow up to \$6 billion to cover banking collapse. So on the surface it appears as if bank failures covered by CDIC don't come out of the taxpayers pockets.

This looks nice on paper. In reality the CDIC has cash reserves on-hand of 1.4 billion to cover payouts on a failed bank. It can, in a pinch, borrow that further 6 billion which brings it up to 7+ billion. Which basically means it has the resources to cover about 1.6% of the 437 billion worth of deposits insured, most of it with borrowed money. In the event of some sort of systemic or cascading banking failure, the rest would have to come from the Federal Government, better known as, the taxpayers.

We've seen exactly this happen in the US during the S&L scandal of the late 80's. The sister body to the FDIC, the FSLIC (which covered S&L's specifically) went insolvent and the entire debacle is said to have cost the American taxpayer \$150 billion.

In a very under appreciated and obscure book called *The Monetary Elite vs. Gold's Honest Discipline* by Vincent LoCascio, the flawed logic of government underwritten deposit insurance is revealed time and again.

"[P]eople fail to consider that federal guarantees make bank failures more likely by artificially encouraging people to choose the highest interest rates available, which in turn causes bankers to seek riskier, higher-yielding loans and investments".

Because in our cozy nanny state, the bankers enjoy an exalted safety net the rest of us capitalist pigs can't, in fact, mustn't depend on:

"Failing banks do not face the same fate as other failing businesses. Other failing businesses must contract, face more restrictive credit conditions, tighten their belts, and turn adverse results around as quickly as possible to become more viable. Failing banks, however, can ignore the reality of their situation...They can use federally guaranteed deposits to try to speculate themselves out of trouble

What if businesses could operate impervious to the whims and pitfalls of the real world? Imagine if you will a scenario in which all businesses operating in Canada were automatically covered by the CBEOLIC, the Canadian Business Errors & Omissions Liability Corporation. Over time, you watch the effectiveness of the entire business sector erode away to incompetence of tragic proportions. Why try harder to mitigate risks? If anything goes wrong the government will mail you a cheque. What a country!

Somewhere along the line the desire to collectively pool resources (taxation) to protect the unfortunate during hard times mutated into a perversion where a coddled citizenry expect "the government" to absolve them from taking responsibility for their own lives.

It permeates into all walks of life whether people care to admit it to themselves or not. Why bother saving any money? If you lose your job you get Unemployment Insurance. Why put anything away for the future? When you get old you will get payments from the Canada Pension Plan. People don't cop to this on a conscious level, it just manifests as the aggregate household savings rate slides down over the years. Seldom do people carry out simple back-of-the-napkin calculations that would help them understand that UI is no substitute for lost wages and if you actually tried to live off your projected CPP benefits then plan your retirement around living in a cardboard box and eating out of dumpsters.

Students and leftists carry this to extremes, demanding all manner of fantasy world perks like a "guaranteed living wage", not understanding that if their dreams were to come true, the nature of inflation and money supply would kick in and after a nasty and unbargained for displacement, they would be back to, or worse than where they started. All a guaranteed minimum living wage would succeed in doing is moving the effective poverty line to the new minimum wage.

A very good dissection of minimum wage laws I've seen is James Ostrowski's *How To Help Low-Wage Workers (Without Raising the Minimum Wage)* where he gives us five reasons our nanny state overseer politicians love to pass minimum wage laws:

"Why do politicians love to propose increases in the minimum wage?

1. It costs them nothing other than the ink and paper the bill is printed on.
2. The vast majority of the law's supporters simply do not understand the technical economic reasons why the law fails to help the working poor.
3. Many people do not understand what the law actually means.
4. Powerful special interests favor the minimum wage for reasons unrelated to the welfare of low-wage workers.
5. The minimum wage promises to give us something for nothing."

and proceeds to outline exactly why raising the minimum wages exacerbates unemployment. So politicians can get people to vote for them by dangling this carrot, but in the end more of the working poor will lose their job for their troubles.

To put it simply, minimum wage laws don't force employers to keep workers at the new minimum wage. If the economic output of a worker is below the new minimum wage, he won't get paid more, he'll be fired. The politician won't care, he's already been elected.

"Tragically, those priced out of the labor markets by the minimum wage are often young, unskilled, high school drop-outs, or minorities. Those who most need that first unskilled, low-wage job are most likely to be economically and legally unemployable after the wage rate is raised.

Thus, the first obvious effect of the minimum wage is to cause unemployment among the least skilled and most disadvantaged workers!"

Beyond the seemingly counter-intuitive outcome of increasing unemployment, Ostrowski identifies the following 5 after effects of increasing minimum wages:

1. causes unemployment among the least productive workers;
2. reduces wealth, causing prices to rise (same amount of money chasing fewer goods and services causes prices to rise)
3. causes premature replacement of workers with technology, which again, reduces wealth and causes prices to rise.
4. raises the cost of living for all
5. increases the ranks of criminals and black market workers such as drug dealers with all the attendant social costs.

and punctuates it with the thought experiment:

"If the minimum wage law does not cause unemployment and can raise living standards at zero cost, why keep it so low? Why not have a minimum wage of \$50 an hour? That way, we can all be upper middle class. The answer is that it would cause mass unemployment because most people aren't worth \$50 an hour. "

He concludes his analysis with what really would work to improve the lot of the low-income working poor:

1. reduce their taxes
2. reduce their cost of living
3. increase capital investment

Which also seems to work for the not-so-poor, the middle-class, the rich and for businesses. Go figure.

I've looked at both ends of the spectrum of self-sufficiency eroding Big Government initiatives that purport to provide "safety nets" and guarantees for that which can never be guaranteed.

There is only one person in the world who can guarantee that if a bank folds, I won't be wiped out. There is only one person to guarantee that I earn a living wage that can provide for my needs and those of my family.

That person is me. And that person is you.

Posted by Mark Jeftovic in Armchair Analysis at 15:29

Wednesday, December 27, 2006

### Boom or Crash for 2007?

With the Dow Jones Industrial Average making new highs, Wall St. experts and pundits all agree that 2007 will be an up year for major indices. By the way, they always agree that next year will be an up year. If things look particularly and undeniably bleak, then they'll predict a "second half recovery" but an up year all the same.

Nobody can say for sure what the future will bring. In general terms you can come out ahead simply betting against economists and weathermen. It may not work all the time, but I suspect it's statistically better than playing the lotto.

Modern day economists fulfill more of a cheerleading role than anything else. What economists basically do today is explain to the general public in easy-to-understand terms why anything bad that has just happened or is about to happen, is actually a good thing when you look at it from a different context, and why people should just go on about their business and not ask too many deeply probing questions about the current state of the economy or the financial system.

Examples include reporting core inflation figures ex-food and ex-fuel, not reporting M3 money supply at all, or explaining why adjustable rate mortgages are a good thing when interest rates have nowhere to go but up and property values nowhere to go but down.

So one must decode this fog of obfuscation that surrounds all things economic and financial if one hopes to make a reasoned guess about the future.

Over the holidays I picked up two books with diametrically opposed hypotheses: *The Coming Economic Collapse: How You Can Thrive When Oil Costs \$200 a Barrel* and *The Next Great Bubble Boom: How to Profit from the Greatest Boom in History 2006-2010*. I am reading these in parallel. A couple chapters of one, a couple chapters of the other. I was hoping to arrive at the end of the pair with some sort of weighted estimate around which scenario was more likely.

I'm still barely into either book and have some concerns around each of them. Stephen Leeb's "Coming Collapse" book describes the Tech Wreck of 2000 as a potentially civilization-ending meltdown which was only staved off by the massive credit expansion and subsequent real estate bubble. I have an issue with this because I subscribe to the old Austrian School theories which call for a recession to unwind the excesses of the previous bubble. We never got one after 2000 (that soft-landing pseudo recession wasn't it) and that massive flood of credit only put it off and will make the necessary recession all the more intense (and painful). In short, the Powers That Be took the easy way out, not the correct way out of the Tech Wreck. Not surprising as the correct way out would have been a painful reality check that doesn't get politicians re-elected.

Harry S Dent's "Bubble Boom" book posits that we are in a string of amplifying "bubbles" rotating between various asset classes. Tech, then real estate, then... Each one bigger than the last. He has a point here. In a way, he's describing the same thing as Leeb when the boom/bust cycles that result from unsound monetary system underpinnings are not "managed" properly when the bubbles pop. But fairly early on he brings Elliot Wave Theory into his reasoning and when somebody talks EW to me, my eyes glaze over and I figure they may as well be reading tea leaves, a tarot deck or chicken entrails. "It's nonsense dolled up to look like thinking." an occultist (of all people) once quipped. I won't get started on Elliot Wave theory, save to reference an article I wrote a few years ago noticing that the Elliot Wave theorists at Elliot Wave International had an unblemished record of being absolutely wrong about predicting the price of gold and had been for years.

All told, the most sensible book I've read over the holidays about predicting the future was *The Zurich Axioms* which basically tells us that the future is essentially unpredictable, don't fall in love with magical thinking like technical analysis or financial gurus like the talking heads on TV.

Instead it describes a common sense way of organizing your speculations in order to maximize your upside potential and minimize your downside risk. Note that this is not saying "only bet what you can lose" (in fact, quite the opposite) But through the 10 major and 18 minor axioms the reader has described what Sovereign Strategist author Mark Rostenko (sidenote: does anybody know what the hell happened to that guy?) describes as "low risk trades". Situations where if you lose, you will lose small but if you win you win big.

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Personally, I am calling for a down year in the major indices and a recession in 2007 and I hope I am wrong. But my guess is this time next year, we're going to be hearing a lot talk about a "second half recovery" for 2008.

Posted by Mark Jeftovic in Armchair Analysis at 22:30

Tuesday, November 29, 2005

### **Why I want free markets and honest money**

This post was gelling in my mind prior to yesterday's fall of the Liberal government, but now that every political hack in the vicinity is going to bombard me with lies promises for "change" I'll outline the kind of changes we need to see and why there is no politician equipped to attempt to deliver it.

I'm currently reading two books: *Empire of Debt* by the Daily Reckoning's Bill Bonner and Addison Wiggins, and *The Monetary Elite Vs. Gold's Honest Discipline* by Vincent LoCascio, whom in an act of supreme flattery, sent me a copy asking for my thoughts.

The former cautions against the folly of "world improving", proving the old adage of the road to hell and demonstrating how the unbridled fiscal disaster looming in the world today is a direct consequence of a desire to think up what is best for other people, and then setting about to impose those improvements upon a hapless world.

The latter argues for "honest money", describing in excruciating detail why what we have today is anything but, and why as a result of this, markets are not free the system is not stable and that things we take for granted as "normal", such as inflation and boom-bust business cycles, aren't. They are symptoms of an aberrant monetary system.

When I reflect on material such as this I realize that at heart, I'm a free market conservative in a lonely place. It's loney here because what passes for "free markets" in this day and age are really heavily rigged ponzi-schemes based on debt financing, and what passes for "conservatives" are actually magical thinking "New Economy" flakes using pixie dust to cut taxes, goose spending, borrow more money than is made and somehow come out "wealthier" on the other end.

Ideologies are dangerous things, but as a political animal I find myself in abject disagreement with the status quo in the West today, how things are run, what is promoted as "beneficial" and what are true motivations are, that I find myself frequenting the fringes of the political sphere, places where eccentric libertarians hang out and even other places where left leaning collectivists gather to "stick it to the man".

This latter group misunderstands free-market economic conservatism as much as the fake, conservative wannabees do themselves. I'm sure if they understood it, they would embrace it.

Dishonest money booby-traps the system.

Honest money would mitigate what I call "the rampant pursuit of money" (i.e. "Rampant Capitalism"). Rampant Capitalism is not greed for greed's sake but it is a horrible, unnatural side-effect of a dishonest monetary system. Because of inflation, which always recall is neither natural or inevitable, earnings and savings are eroded. It is a form of theft. If you go out and make a million dollars, you can't just take it off the table and retire. Especially if you're reasonably young, say under 50. Odds are you'll outlive your money because it inexorably loses its purchasing power over time, thanks to politicians and bankers who keep devaluing your million dollars by endlessly printing up billions upon billions more and then buying votes with it.

Business owners and entrepreneurs tend to understand this more acutely, and the only "cure" for this is to try to invest any retained earnings or savings into investment vehicles whose rate of return is higher than the inflation rate. This is exacerbated in today's climate where interest rates are held artificially low and the widely reported inflation rates are routinely manipulated to make them more palatable (i.e. reporting them ex-food and ex-energy because nobody eats or heats their home). The result is a treadmill and short sighted investment horizons which blur into daytrading and speculation.

Money that would have been well enough left in a savings account somewhere and preserving its buying power for a generation joins a frantic lemming-like rush around the world for returns on investment exceeding the destruction wrought by inflation: carry trades evolve, leverage is sought through margin, complex derivatives arise, it becomes "hot money".

A dumbed-down picture of the cycle, as enabled by dishonest money and world improving looks like this: A politician steps forward to tell us what his vision of what is best for everybody is. He makes promises so that if many people back his vision, he will distribute money from the few to the many (this is the only way the economics of vote buying works) The politician is elected and he proceeds to improve the edges of the empire Money is created to pay for the votes (promises, entitlement programs) More money is created to finance the improvement of the world (wars are expensive) next electoral cycle starts after a few of these, the next boom-bust business cycle starts

I think that complaints about "rampant capitalism" and "unbridled market forces" are really complaints about things that impede free markets and if leftists understood that, they'd turn into libertarians overnight.

When collectivist systems fail it usually reveals the folly of central planning and how it is often the most clueless way to try to organize a society.

So the failings in capitalism and socialism turn out to have one common element: a government run by a panel of short-sited monkeys deciding what's best for everybody else.

I think where libertarians differ from leftists is that the former understand that governments are part of the problem, and the solution is a minimal government whose function shouldn't stray too far beyond protecting the rights of the individual,

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while leftists don't like the governments that routinely get elected and think things will improve drastically if their idea of a big government was able to run the show for awhile.

My personal belief is that it is illogical bordering on delusional to think anybody knows what's best for anybody else. It's hard enough getting through your own life without getting smucked by a car on the way home from work, how are you supposed to know what everybody else is supposed to do?

Get rid of 99% of the government, make money honest, and everybody mind their own business. What could be so hard about that?

Posted by Mark Jeftovic in Armchair Analysis at 16:15

Friday, November 25, 2005

### **Thieves and other opponents of property rights lament ETR ruling**

I was driving to an appointment last night listening to talk radio and heard whiner after whiner complaining about recent court decision that empowers the operators of the privately owned and operated ETR ( express toll route) to prevent toll route debtors from having their license plates renewed until they pay up.

This is a new turn of events and people who owe the ETR money are plenty steamed about it. Calls were coming in from people who owed upwards of \$4,000 and \$5,000. They're upset. They assumed they would be able to continue stealing services forever. Now that they've been caught out they're all armchair experts on why the ETR is a bad idea and should never have been allowed to happen in the first place.

Here's a newsflash: if it's a bad idea, if you think privately owned and operated roads are such a bad thing then don't drive on them. Could it be any simpler?

Now here's a few facts of life: oil is getting more expensive, not cheaper. Mark my words, the days of three-digit oil prices aren't far off and when they get here, they'll be here to stay.

The same people today who complain about the end of their ability to steal services from the ETR will be the same people tomorrow complaining about the price of gas when it heads north of \$2/litre and more. They will argue for government price caps.

At the same time, these people have lives of their own, they work, they own businesses, and when they start demanding their right to steal services from private property owners or demanding government imposed price caps on gas I will say "why don't we put a government imposed cap on your wages too, then?" If they own a candy store, I will start demanding the right to walk in, help myself to the finest chocolate they have, and walk right out.

How will these people justify having other people's property rights stricken down and their own upheld in the same breath?

Toll roads are good and gas prices must rise according to the laws of supply-and-demand. Why? Because that's the natural and fair way to reign in consumption in a future where demand would otherwise outstrip supply.

Environmentalists should be all over privately owned toll roads and market dictated gas prices.

Complainers should go join the communist party, because that's what they're arguing for.

Posted by Mark Jeftovic in Armchair Analysis at 11:23

Saturday, August 20, 2005

**Corruption, not terrorism, is the true enemy of our time.**

As I watch more of our rights being chisled away, such as random searches on subways in NYC or the impending "Lawful Access" here in Canada, I realize that like it or not, some form of surveillance society is probably inevitable. I also thought this long before 9/11 as this post of mine on the OpenFlows mailing list describes back on Sept/99.

In it I cite Damon Knight's short story I See You which describes a not-so-distant future society where everybody can monitor anything in both time and space. Crime becomes impossible and privacy extinguished. As David Brin once observed, "Everybody wants privacy for themselves and accountability for everybody else".

If we are headed where I think we are headed, I will trade some privacy if I get everybody else's accountability in exchange. That means I will not sit still for a "top down" Big-Brother type surveillance society where politicians and lawmakers confiscate our rights to enforce laws which benefit their backroom deals. But I will settle for a massively parallel "everybody-sees-everything" society or "somebody-sees-everything" society that would sufficiently impair the corrupt from operating at any level of society.

So if a cop wanted to search me as I enter the subway that's fine. I'll scan in his badge number with my PDA and if he finds something on me he doesn't like, then he better not have any unexplained cash deposits into his own or his family's bank accounts and he shouldn't be driving a Ferrari on a beat-cop's salary. My lawyer will be checking out all of his dirty laundry, not to mention the chief of police, the TTC commissioner and whoever passed the goddamn law in the first place.

In a massively parallel surveillance society, you look at mine means I'll look at yours. If the police can call my ISP and get my access logs, I'll agree to it if I (and everyone else) can look at the banking records of my political candidates. I'll sit still for something like "Lawful Access" as long as I can also call Irwin Cotler's ISP and get the logs of his internet activity. After all, if he's doing something "subversive" then he shouldn't be the Justice minister, should he? The higher up the food chain people get, the more responsibility they shoulder, then the more magnifying glasses they should be under. The stakeholders of a given situation should be able to monitor the activities of the rulemakers.

I'm being overly dramatic to illustrate a point. The point is this: we are being observed more and more. This tide may be impossible to reverse. It is also increasingly clear that our leadership is rampant with corruption. Wars have been started on based on lies. Funds are misappropriated. Backroom deals abound. If the state can monitor the citizens "for safety's sake" then the citizens must be able to monitor the state for the same reasons.

And then we need to get serious about corruption and have some real world consequences for breaches of the public trust, which I think is one of the highest crimes imaginable.

The sad state today is politicians and financiers can abuse their power, lie, employ the powers of the state for their private gain, and even when caught they get a walk or some token prison sentence and will be pardoned down the road once their fate fades from public memory.

China may not be a free an open society like ours is supposed to be. But over there white collar criminals and corrupt politicians get the same treatment as a common murderer: they are executed.

What kind of signal would it send if Kenneth Lay and Bernie Ebers were hanged? What about next politician who is found to have lied to his constituents with grave consequences?

People who hold office need to be scared to death (literally) of abusing that power. They shouldn't have to be, they're supposed to be there out of a sense of public service, but until that sentiment returns to the land, forget terrorism, we need to get tough on corruption. We need to have a War on Corruption, one that may not end in our lifetimes.

Posted by Mark Jeftovic in Armchair Analysis at 11:40

Wednesday, August 17, 2005

### **Not enough guns for Sieg**

My friend Sieg is back from his vacation in the USA and he laments the sad state of gun ownership in Canada and compares with the States. This is another area where I have mixed feelings and sometimes disagree with him. Sieg's problem is he gives people too much credit. Although he advocates "outlaw idiots, not guns". We live in a society where you are pretty much rewarded for being docile and stupid and penalized for being smart enough to know better. He also doesn't live in downtown Toronto, like I do.

Here in Toronto it's not unheard of to get your head blown off waiting at a bus stop. There's been between 3 and 5 fatal shootings within a 10 block radius of my apartment in the last month. If there were any more guns around this place would be Beirut, or maybe Fallujah.

Would I feel safer about things if everybody owned a gun? Probably not. It would imply that I trust people to have half a brain in their heads when it came to using them and I don't have that faith in my fellow man. Not when I turn on the evening news.

Of course, on the other hand I see the logic in gun ownership and responsible self-defense. Don't come crying to me if, while breaking into somebody's house they empty a shotgun into your gut, or your face. As we unix geeks like to say "Don't do that then". In my book when you violate somebody else's rights you forfeit your own. It seems almost silly to have to explain that but the point seems lost in civilized society.

There is an unconfirmed anecdote I've seen around (seems almost urban legend-ish to a guy here in Canada) that the Swiss citizenry are all well armed and trained. There is a gun in every household apparently, and they know how to use them. The Swiss haven't been in a war in over 500 years. After 9/11, while the rest of us were hastily giving up our rights and having our shoes x-rayed at airports, the Swiss advised their citizens to begin carrying their bayonets on flights. Any would-be hijackers trying to commandeer a plane with a pair of box-cutters would find themselves confronted by a plane full of bayonet-wielding passengers.

Which approach has more long-term viability?

Alas, if this were true, it illustrates a completely different headspace and culture among the Swiss, far more enlightened and not easily transportable to our instant-gratification addicted and attention span deficient culture. It would probably take 2 to 3 generations of intense, conscious therapy on our own collective society to get the maturity level up to a point where that approach would work.

Otherwise all you'll have is what they have in the US (or maybe downtown Toronto). And that clearly isn't working.

Posted by Mark Jeftovic in Armchair Analysis at 17:32

Saturday, July 9, 2005

### **All Extremists should be lined up against a wall and shot**

In fairly short order today I've read some pretty emotional posts from varying sources on some closed boards I'm on. One advocates the US "nuke" the border areas between Afghanistan and Pakistan to (paraphrasing) "make sure we get Bin Laden before he gets a suitcase nuke into NYC". Another posits that we are in the midst of the "Third Holy Jihad" being undertaken by Moslems to bring the world under Islamic Law.

The latter quoted Jordan's King Abdullah who noted "The real struggle is between moderate and extremist Moslems" and it occurs to me that everywhere The Real Struggle is between moderates and extremists. The same conflict arises in Israel, Palestine, the USA. Everywhere. What we have are minority extremists getting into pissing contests with each other and getting the majority moderates slaughtered like lambs in the crossfire.

The "Them or Us" cornerstone of almost every extremist ideology is basically irreconcilable with the inevitable "Chicken or Egg" paradox which is at the center of every militant ideological conflict occurring in the world.

Neocon extremists in the USA would have us believe that "The War on Terror" began on Sept. 11/2001. Militant Islamists would have us believe the conflict started earlier, a lot earlier than that. Perhaps with the establishment of Israel. A militant Zionist would say that's nonsense and that their beef with the world has it's origins elsewhere.

Nothing changes but the names, all of these camps are defined by a burning hatred of "the other" and I can guarantee you they all have one other thing in common: They ALL believe "the other guys started it".

In normal times, extremists are at best harmless nutjobs and at worst criminals. They provide comic relief, ample material for the "what not to do" files. They make themselves easy targets for talk show monologues and when they go over the line and take things too far and people get hurt or killed, we round them up and throw them into the prisons they belong or in certain jurisdictions, execute them. In any case the extremists are noise against the signal of life and dealt with by the prevailing cooler heads of society.

These are not normal times. There are places in the world where the extremists are in charge. We have ideologues calling the shots and setting policy. (These places aren't all "over there").

The problem with this is when extremists take shots at each other, they hit the other guy's moderates. The vast majority of the population are ordinary people who would routinely treat others with courtesy and respect each other's differences in cultures and lifestyles. Most people just want to be left alone to run their own lives and raise their families. Then all of the sudden a useful idiot on errand set by some far away extremist nutjob comes along and kills you or your family. It enrages enough victims that a few of them become local extremists and they eventually return the favour.

So then somebody from the former victim's camp goes over and kills off a bunch of ordinary people who had nothing to do with the prior incident as "revenge". Repeat, ad infinitum.

This isn't rational and it's pretty self-evident to moderates. To extremists, saying this much is blasphemy or treason. (A handy self-test which is probably accurate to within a few percentage points: If you are going to leave a disparaging comment to this post, you are closer to being an extremist than you are to being a moderate)

Extremists believe they can do no wrong, have never done anything wrong, don't make mistakes, have God on their side and will be ultimately victorious against The Other Guy. They believe they are justified when they go kill a bunch of ordinary people "over there" that had nothing to do with the last round of ordinary people some other extremists killed over here.

Extremists are bad for business.

Posted by Mark Jeftovic in Armchair Analysis at 14:24