

CURRENCY CURRENTS

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Quotable

“The advocates of centralized government had effectively adopted British-style mercantilism as their economic agenda, and this was the agenda on which Lincoln would eventually base his entire political career. Jefferson and his disciples were so opposed to that agenda because they were well aware of its results: government sanctioned favors for the politically well-connected at the expense of the general public, oppressive taxation, socially harmful inequities, economic monopoly, political corruption, and the monopolization of political power by a group of men who would orchestrate an unholy alliance between government and business. In fact, it was just such a system, with the oppressive taxation that it created, that drove many British citizens to flee their own country and settle in the American colonies.”

Thomas J. DiLorenzo, *The Real Lincoln*

Commentary & Analysis

America ... to follow Europe or India? Follow the money trail ...

“I am certain: if we want to restore confidence in the eurozone, countries will have to transfer part of their sovereignty to the European level.”

That was European Central Bank Mario Draghi talking. And he was talking in support of a plan proposed by Wolfgang Schaeuble. In case you hadn't guest yet, Mr. Schaeuble is German. He is Germany's finance minister.

The plan proposes a Currency Commissioner of sorts. German Chancellor Angela Merkel supports it. And so does Mr. Draghi.

It looks like Germany is going back on offense in negotiations involving bailout and support of periphery nations struggling to reduce their Sovereign debt excesses. Mr. Draghi, the supposed neutral party, shares the sentiment of other leaders who believe such a proposal is a non-starter because it forces nations to concede control. Except he is supporting the proposal based on two ideas: 1) confidence in the eurozone must be restored, and 2) [nations have already done the unthinkable but must go further](#).

This is when I reiterate the classic advice of the powers-that-be: never let a good crisis go to waste.

Someone better tell India ...

Regionalism is blasphemy in the eyes of the power interests

Back in the early 1990s India embarked on some financial and economic reforms that invited nearly two decades of substantial economic growth.

But the last four years have seen India's momentum stall. Much of the recent slowdown is due to the global financial crisis and contraction in global trade. But some of it is due to revisionist policies of India's current President who is implementing policies that bring key sectors like health care, education and employment back under the umbrella of the central government.

Oddly enough, India's current President was finance minister back in the early nineties and was integral in bringing about the reforms that decentralized government power and invited competition among the country's individual states. Was it the step-up in power that changed his view? The power interests are not fond of policies that don't consolidate power in their hands.

Smartly, though, India is pushing for regionalism again. They are hoping increased competition will attract new external investment as well as create new internal opportunities to generate jobs and grow the economy. Competition is the most important feature of the market process that central planners reject, intentionally or unintentionally, with their do-gooder policies.

From King George to Not-So-Honest Abe

America's founding fathers carefully developed a constitution that respected individual and States' rights by strictly limiting the powers of central government. They knew, in fleeing King George's rule over England, exactly the horrors that come from centralized power. It was the motivation behind America's fight for Independence.

Now think back to the American civil war. It was a war to free the slaves, right? Wrong. President Abraham Lincoln has become famous for his Emancipation Proclamation and for ridding the country of slavery. But history has been much too kind to him. Lincoln was not motivated to rid the country of slavery. (Actually, Lincoln probably would have preferred ridding the country of blacks, as was the general consensus of his northern brethren.) And besides, America could have emancipated slaves without inciting a war between the states.

What motivated Lincoln was his desire to keep the Union together, centralize power in a federal government, and basically take away the States' right to secede. A sort of compensated emancipation, like efforts that succeeded in other parts of the world, could not seize that particular liberty from the States. Only a brutal war could create the illusion of a fight to free slaves AND impart the central planners' forceful rule over the South (and the entire Union, for that matter).

Central money planning

Abraham Lincoln and his war between the states set a precedent of centralization in the United States that to this day has not been reversed. There are plenty of examples, but Woodrow Wilson, Franklin Roosevelt and Lyndon Johnson are among the most notorious central planners to follow in the footsteps of Lincoln.

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Apart from varying levels of collectivism, money is the common denominator in the policies of America's most dedicated central planners.

Even John Maynard Keynes could see the problem with that:

“By a continuing process of inflation, Governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some Those to whom the system brings windfalls ... become “profiteers” who are the object of the hatred ... the process of wealth-getting degenerates into a gamble and a lottery ... Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.”

Ron Paul, the Senator from Texas who has long championed States' rights and individual liberties, is often asked if a third party could ever emerge triumphant in American politics. His response speaks volumes: we need a second party first.

There is quite a lot of bickering that goes on between Democrats and Republicans. But at the end of the day, the issues that are neglected by the candidates, commentators and pundits are the ones most vital to the future of America. The economy is becoming increasingly centralized. Power and money is becoming increasingly consolidated in the hands of the elites. The social fabric that once kept America together is tearing apart quickly now.

Of course, America's presidential candidates promise to alleviate that problem by perpetuating more of the same money policies that have led to the slow, yet quickening, deterioration in the US economy.

Pat Buchanan recently wrote about Mitt Romney's slight potential to succeed (juxtaposed with Barack Obama's certain failure) in changing the country's course should he be elected President. But Buchanan admitted any efforts “would spell an end to any new wars of choice and all foreign aid and grants to global redistributionists — such as the United Nations, the International Monetary Fund and the World Bank. It would entail a review of all U.S. alliances dating back to the Cold War, which have U.S. troops on every continent and in a hundred countries.”

I'm not optimistic.

Basically, it would mean cracking down on the money system. No Presidential candidate, save Ron Paul, has specifically addressed the measures needed to fix the monetary system that's created an ever-elusive inequality among the classes.

Karl Marx and Friedrich Engels, in the Communist Manifesto, used this as a rallying cry — the bourgeoisie are out to control the proletarians by means of capitalism. Their concerns

are valid, but their conclusions are not. It is not pure, unadulterated capitalism that oppresses the laborers for the benefit of the ruling class. Instead, it is the centralization of a corrupt ruling class that is enabled by control and manipulation of the money system.

Should the United States rein in monetary largesse, perhaps through competing currencies? Or is it better, for “confidence”, to forfeit sovereignty to, say, the UN, IMF, or the World Bank ... if we haven't already?

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