

Dispatches from Reykjavik

edited by
William Shepherd

*There are two kinds of money
Money with strings attached enslaves
Money with no strings attached liberates*



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Though I speak with the tongues of men and of angels, and have not money, I am become as a sounding brass, or a tinkling cymbal.

And though I have the gift of prophecy, and understand all mysteries, and all knowledge; and though I have all faith, so that I could remove mountains, and have not money, I am nothing.

And though I bestow all my goods to feed the poor, and though I give my body to be burned, and have not money, it profiteth me nothing.

Money suffereth long, and is kind; money envieth not; money vaunteth not itself, is not puffed up, doth not behave unseemly, seeketh not her own, is not easily provoked, thinketh no evil; rejoiceth not in iniquity, but rejoiceth in the truth; beareth all things, believeth all things, hopeth all things, endureth all things...

And now abideth faith, hope and money, these three; but the greatest of these is money.

I CORINTHIANS XIII (*adapted*)

Frontispiece to George Orwell's *Keep the Aspidistra Flying* (1936).
Deadapted by Richard Curtis for *Four Weddings and a Funeral* (1993)

The Spectre of Debt Revolt is Haunting Europe by Michael Hudson[Source: Counterpunch.org](http://Counterpunch.org)August 18th 2009

For the past decade Iceland has been a kind of controlled experiment, an extreme test case of neoliberal free-market ideology. What has been tested has been whether there is a limit to how far a population can be pushed into debt-dependency. Is there a limit, a point at which government will draw a line against taking on public responsibility for private debts beyond any reasonable capacity to pay without drastically slashing public spending on education, health care and other basic services?

The problem for the post-Soviet economies such as Latvia is that independence in 1991 did not bring the hoped-for Western living standards. Like Iceland, these countries remain dependent on imports for their consumer goods and capital equipment. Their trade deficits have been financed by the global property bubble - borrowing in foreign currency against property that was free of debt at the time of independence. Now these assets are fully "loaned up," the bubble has burst and payback time has arrived. No more credit is flowing to the Baltics from Swedish banks, to Hungary from Austrian banks, or to Iceland from Britain and the Netherlands. Unemployment is rising and governments are slashing healthcare and education budgets. The resulting economic shrinkage is leaving large swaths of real estate with negative equity.

Can Iceland and Latvia pay the foreign debts run up by a fairly narrow layer of their population? The *European Union* and *International Monetary Fund* have told them to replace private debts with public obligations, and to pay by raising taxes, slashing public spending and obliging citizens to deplete their savings. Resentment is growing not only toward those who ran up these debts - Iceland's bankrupt *Kaupthing* and *Landsbanki* with its *Icesave* accounts, and heavily debt-leveraged property owners and privatizers in the Baltics and Central Europe - but also toward the neoliberal foreign advisors and creditors who pressured these governments to sell off the banks and public infrastructure to insiders.

Support in Iceland for joining the *EU* has fallen to just over a third of the population, while Latvia's *Harmony Center* party, the first since independence to include a large segment of the Russian-speaking population, has gained a majority in Riga and is becoming the most popular national party. Popular protests in both countries have triggered rising political pressure to limit the debt burden to a reasonable ability to pay. This political pressure came to a head over the weekend in Reykjavik's Parliament. The *Althing* agreed a deal, expected to be formalized today, which would severely restrict payments to the UK and Netherlands in compensation for their cost in bailing out their domestic *Icesave* depositors.

This agreement is, so far as I am aware, the first since the 1920s to subordinate foreign debt to the country's ability to pay. Iceland's payments will be limited to 6 per cent of growth in gross domestic product as of 2008. If creditors take actions that stifle the Icelandic economy with austerity and if emigration continues at current rates to escape from the debt-ridden economy, there will be no growth and they will not get paid.

A similar problem was debated eighty years ago over Germany's *World War I* reparations. But policy makers are still confused over the distinction between squeezing out a domestic fiscal surplus and the ability to pay foreign debts. No matter how much a government may tax its economy, there is a problem of turning the money into foreign currency. As John Maynard Keynes explained, unless debtor countries can export more, they must pay either by borrowing (German states and municipalities borrowed dollars in New York and cashed them in for domestic currency with the *Reichsbank*, which paid the dollars to the Allies) or by selling off domestic assets. Iceland has rejected these self-destructive policies.

There is a limit to how much foreign payment an economy can make. Higher domestic taxes do not mean that a government can turn this revenue into foreign exchange. This reality is reflected in Iceland's insistence that payments on its *Icesave* debts, and related obligations stemming from the failed privatization of its banking system, be limited to some percentage (say, 3 percent) of growth in gross domestic product (GDP). There is assumption that part of this growth can be reflected in exports, but if that is not the case, Iceland is insisting on "conditionalities" of its own to take its actual balance-of-payments position into account.

The foreign debt issue goes far beyond Iceland itself. Throughout Europe, political parties advocating *EU* membership face a problem that the Maastricht convergence criterion for membership limits public debt to 60 percent of GDP. But Iceland's external public-sector debt - excluding domestic debt - would jump to an estimated 240 percent of GDP if it agrees to UK and Dutch demands to reimburse their governments for the *Icesave* bailouts. Meanwhile, *EU* and *IMF* lending to the Baltics to support their foreign currency - so that mortgages can be kept current rather than defaulting - likewise threaten to derail the membership process that seemed on track just a short time ago.

Austerity programs were common in Third World countries from the 1970s to the 1990s,¹ but European democracies have less tolerance for so destructive an acquiescence to foreign creditors for loans that were

¹ *The Shock Doctrine* by Naomi Klein (Penguin, 2008, ISBN 978-0-141-02453-0), portrayed by Arundhati Ray as 'a brilliant, brave and terrifying book', describes these programmes. [Ed]

irresponsible at best, outright predatory at worst. Families are losing their homes and emigration is accelerating. This is not what neoliberals promised. Populations are asking not only whether debts should be paid, but whether they can be paid! If they can't be, then trying to pay will only shrink economies further, preventing them from becoming viable. This is what has led past structural adjustment programs to fail.

Will Britain and the Netherlands accept this new reality? Or will they cling to neoliberal 'pro-creditor' ideology and keep on stubbornly insisting that a debt is a debt and that is that. Trying to squeeze out more debt service than a country could pay requires an oppressive and extractive fiscal and financial regime, Keynes warned, which in turn would inspire a nationalistic political reaction to break free of creditor-nation demands. This is what happened in the 1920s when Germany's economy was wrecked by imposing the rigid ideology of the sanctity of debt.

A similar dynamic is occurring from Iceland to the Baltics. The *EU* is telling Iceland that in order to join it must pay Britain and Holland for last autumn's *Icesave* debts. And in Latvia, the *EU* and *IMF* have told the government to borrow foreign currency to stabilize the exchange rate to help real estate debtors pay the foreign-currency mortgages taken out from Swedish and other banks to fuel its property bubble, raise taxes, and sharply cut back public spending on education, health care and other basic needs to "absorb" income. Higher taxes are to lower import demand and also domestic prices, as if this automatically will make output more competitive in export markets.

But neither Iceland nor Latvia produces much to export. The Baltic States have not put in place much production capacity since gaining independence in 1991. Iceland has fish, but many of its quota licenses have been pledged for loans bearing interest that absorbs much of the foreign exchange from the sale of cod. Interest charges also absorb most of the revenue from its aluminium exports, geothermal and hydroelectric resources.

In such conditions a pragmatic economic principle is at work: Debts that can't be paid, won't be. What remains an open question is just how they won't be paid. Will many be written off? Or will Iceland, Latvia and other debtors be plunged into austerity in an attempt to squeeze out an economic surplus to avoid default?

Failure to recognize the limited ability to pay runs the danger of driving over-indebted countries out of the Western orbit. Iceland's population is upset at the *EU's* backing of the bullying tactics of Britain and Holland trying to extract reimbursement for bailing out their *Icesave* depositors - €2.6 billion to Britain and €1.3 billion to Holland. *Social Democrats* won April's *Althing* election on a platform of joining the *EU*, but burdening the country with these *Icesave* debts would prevent it from meeting the Maastricht criteria for joining the *EU*. This makes it appear as if Europe is more concerned with debt collection than with getting new members.

Of most serious concern are the long-term consequences of replacing defaults by debt pyramidiers and outright kleptocrats with a new public debt to international government agencies - debt that is much less easy to write off. Eva Joly, the French prosecutor brought in to sort out Iceland's banking kleptocracy, warned earlier this month that if Iceland succumbs to current *EU* demands, "Just a few tens of thousands of retired fishermen will be left in Iceland, along with its natural resources and a key geostrategic position at the mercy of the highest bidder - Russia, for example, might well find it attractive." The post-Soviet countries already are seeing voters shift away from Europe in reaction to the destructive policies the *EU* has been supporting.

Neither Britain and Holland nor the *EU* and *IMF* have provided a scenario for how Iceland is supposed to pay the debts that are being claimed. How much will personal income and living standards have to fall? What government programs must be cut back? How many defaults on domestic mortgages and personal debts will result; and how much unemployment? How much emigration will occur? The models being employed treat these dimensions of the economic problem as "externalities," but they are central to how the economic system works in practice.

The question is whether neoliberal ideology will give way to economic reality, or whether economic policy will retain the blinders that typically characterize short-term creditor-oriented policies? What is blocking a more reasonable pro-growth policy, Ms. Joly observed, is that "the Swedish presidency of the *EU* does not seem to be in a hurry to improve regulation of the financial sectors, and the committees with an economic focus in the Parliament are, more than ever, dominated by liberals, particularly British liberals."

So Europe continues to impose a short-sighted economic ideology. Therefore, she concluded: "Mr. Brown is wrong when he says that he and his government have no responsibility in the matter. Firstly, Mr. Brown has a moral responsibility, having been one of the main proponents of this model which we can now see has gone up the spout. Could anyone realistically think that a handful of people in Reykjavik could effectively control the activities of a bank in the heart of the City of London?"

The European directives concerning financial conglomerates seem to suggest that *EU* member states that allow such establishments into their territories from third countries must ensure that they are subject to the same level of control by the authorities of the country of origin as that provided for by European legislation. A failure on the part of the British authorities on this point would not be particularly surprising considering the 'performance' of other English banks during the financial crisis? If so, Mr. Brown's activism in relation to this small country might be motivated by a wish to appear powerful in the eyes of his electorate and taxpayers"

Most deposit insurance settlements for insolvent institutions are merely technical in scope: how much are depositors insured for, and how soon will they get paid? But the *Icesave* problem is so large in magnitude that it raises more legally convoluted economy-wide questions. The *Althing's* stance on Iceland's foreign debt - and the abuses of its kleptocratic domestic bank privatizers - represents a quantum leap, a phase change in global debtor/creditor relations.

No doubt this is why creditors and neoliberals will fight Iceland's brave show so vehemently, angrily, unfairly and extra-legally. For starters, Gordon Brown did not follow the proper agreed-upon legal procedures last 6th October 2008 when he closed down *Landsbanki's* *Icesave* branches and the *Kaupthing* affiliates. Under normal conditions Iceland² would have availed itself of the right under European law to pay out depositors in an orderly manner. But Mr. Brown prevented this by directing Britain's deposit-insurance agency to pay *Icesave* depositors as if they were covered by UK insurance. It was a rash decision that could turn out to be one of the biggest blunders of his career. The *Icesave* branches were legally extensions of *Landsbanki* in Iceland, covered by Iceland's deposit insurance scheme, not that of Britain.

Iceland's *Depositors' and Investors' Guarantee Fund (TIF)* is privately funded by domestic banks, not public like America's *Federal Deposit Insurance Corp. (FDIC)* or Britain's *Financial Services Agency (FSA)*. Reflecting Iceland's neoliberal philosophy at the time the banks were privatized, the *TIF* lacked the capital to cover the losses that ensued. It was like America's *AIG* insurance conglomerate, whose premiums were set far too low to reflect the actual risk involved. The problem is typical of the neoliberal "rational market" idea that debts cannot create a problem, but merely reflect asset prices that in turn reflect prospective income.

In an environment that saw *Northern Rock* and the *Royal Bank of Scotland* fail, Iceland's *Commerce Ministry* wrote to Clive Maxwell at Britain's *Treasury* on October 5 to assure him that the government would stand behind the *TIF* in reimbursing *Icesave* depositors in accordance with *EU* directives. Yet three days later, Chancellor of the Exchequer Alistair Darling claimed that Iceland was refusing to pay. On this pretense Mr. Brown used emergency anti-terrorist laws enacted in 2001 to freeze Icelandic funds in Britain. He did so despite Iceland's promise to abide by the *EU* rules. Icelandic authorities were given no voice in how to resolve the matter. Britain and the Netherlands (as they acknowledge in the proposed agreement with which they confronted Icelandic negotiators on June 5, 2009) merely "informed" Icelandic authorities, without following the rules and consulting with them to get permission for their quick bailout of depositors.

This affects the question of who is legally responsible for British and Dutch reimbursement of *Icesave* and *Kaupthing* depositors. The relevant *EU* law gives the responsible authorities a breathing space of three months to proceed with settlement - with a further six-month period where necessary. This would have enabled Iceland to collect from British bank clients such as the retail entrepreneur (and major *Kaupthing* stockholder) Kevin Stanford, who borrowed billions of euros, far in excess of what was proper under banking rules.

It is now known that Icelandic banks in Britain were emptying out their deposits by making improper loans to British residents. But rather than helping Iceland move in a timely manner to recover deposits that *Landsbanki* and *Kaupthing* had lent out, Britain's precipitous action plunged it into financial anarchy. The *Serious Fraud* team has started to help with the investigation and recovery process only in the past few weeks - now that the funds are long gone!

On November 4, *Ecofin*, the *EU's* financial oversight agency, held an informal ministerial meeting and "agreed, under very unusual circumstances," to examine the financial crisis into which the *Icebank* and *Kaupthing* insolvencies had plunged the country. The *EU* proposed that the problem be resolved by five financial officials. But Iceland worried that such individuals tend to take a hard-line creditor-oriented position. Seeing how Britain and the Netherlands had acted on their own without regard for how their actions were hurting Iceland, Finance Minister Arni Mathiesen wisely wrote on November 7 to Christine Lagarde, *President of the Ecofin Council*, that Iceland's government would not participate in the review of Iceland's obligations under Directive 94/19/EC.

The *EU* directive dealt only with the collapse of individual banks, assuming this problem to be merely marginal in scope and hence readily affordable by signatory governments. But "the amount involved could be up to 60 per cent of Iceland's GDP," Mr. Mathiesen explained. The directive left Iceland in legal limbo regarding "the exact scope of a State's obligations...in a situation where there is a complete meltdown of the financial system." The directive simply did not envision systemic collapse of a developed Western European economy. Such is the state of today's mainstream equilibrium theory - an ideological argument that economies automatically stabilize and hence no government policy is needed, no public oversight or regulation.

It is a set of assumptions and junk economics that kleptocrats, crooks and neoliberals love, as it has enabled them to get very, very wealthy and then run to government claiming that a Katrina-like accident has occurred that requires them to be fully bailed out or the economy will collapse without their self-serving wealth-seeking services. This

² Iceland was a founder member of the *European Free Trade Area (EFTA)* which, after the United Kingdom and various other EFTA members had agreed terms of entry into the *European Economic Community (EEC)*, negotiated a separate agreement with the EEC as members of the newly created *European Economic Space (EES)*. [Ed]

“rational market” mysticism is what now passes for economic science. And it is in the name of this junk science that *EU* financial officials and indeed, central bankers throughout the world are indoctrinated with blinders that do indeed enable them to find every collapse of their theories “unanticipated.”

The question that needed to be confronted head-on was how to take account of Iceland’s “very unusual circumstances” stemming from its unwarranted faith in neoliberal theory that assumed finance and the debt overhead would never pose a structural problem, but would only serve to facilitate economic growth. At issue was the “sanctity of debt” ideology that took no account of the broad economic context and growth prospects. “Iceland has to make sure that its deposit-guarantee scheme has adequate means and is in a position to indemnify depositors,” the Finance Minister wrote.

The problem was macroeconomic in character, but the bank insurance scheme was only for 1 per cent of deposits - under conditions where the country’s main three banks all were driven under by the combination of bad or outright kleptocratic management and Britain’s freezing of Icelandic funds in the aftermath of the *Icesave* collapse. On November 25 an *IMF* team calculated that “A further depreciation of the exchange rate of 30 per cent would cause a further precipitous rise in the debt ratio (to 240 percent of GDP in 2009) and would clearly be unsustainable.”

Gordon Brown has spent much of 2009 trying to pressure the *IMF* to collect for *Kaupthing*’s insolvency as well as that of *Landesbanki*’s *Icesave* accounts. In Parliament on May 6 he announced his intention to ask the *IMF* to pressure Iceland to reimburse depositors in *Kaupthing* affiliates. He was reminded that unlike the *Icesave* branches, these were incorporated as British entities, making their accounts the responsibility of British regulation and deposit insurance. What was improper was his crass treatment of the *IMF* as a debt collector for the creditor nations, using it as a supra-legal lever to pressure Iceland to pay money that its negotiators felt they did not owe under *EU* rules. This was the position even of the neoliberal former Prime Minister and *Governor of the Central Bank*, Mr. Oddson himself.

Why bring such pressure to bear if the obligation is clearly specified in the contract? It looked like Mr. Brown wanted to avoid blame by paying British bank depositors and assuring them that foreigners would pay. He proved to be incorrigible, pressuring the *EU* to tell Iceland that it could not negotiate to join until it settled “its” *Icesave* debt to Britain.

And the Dutch Foreign Affairs Minister Maxime Verhagen was equally explicit on July 21. In an official statement he warned his Icelandic counterpart that it was “absolutely necessary” for Iceland to approve the compensation deal agreed for people who lost savings when internet bank *Icesave* went bankrupt. “A solution to the problems round *Icesave* could lead to the speedy handling of Iceland’s request to join the *European Union*,” the minister hinted. “It could show that Iceland takes *EU* guidelines seriously.”

What it showed, of course, was that the *EU* was letting Britain and the Dutch use extortionate threats to veto membership if they did not get what they wanted: the nearly €4 billion in bailout reimbursement plus interest at 5.5%.

It would be hard to imagine what could have been more effective in deterring Icelandic desire for membership in the *EU*. On July 23 the *Law Faculty at the University of Iceland* discussed the details and criticized the confidential agreement - without even having access to it. Britain and the Netherlands insisted that the terms and details of the agreement not be published, on pain of the leakers facing prosecution. But apparently through a secretarial error it appeared on the Internet on July 27! The result was an explosion of anger, not only at Britain and the Dutch but at its own financial negotiators for not simply walking out when the authoritarian terms were dictated at political and financial gunpoint.

The flames were fanned further on July 31 when *Wikileaks* published a *Kaupthing* report from September 25, 2008, detailing the loans to insiders that had helped drive the bank into insolvency. Major stockholders had borrowed against their bank stock to bid it up in price and give the appearance of prosperity and solvency. Evidently deciding that the time had come to take the money and run, the bank owners emptied out the coffers by making loans to themselves. This signalled the death knell for any further fantasies about “efficient markets” in today’s neoliberalized jungle of financial deregulation.

Despite the fact that *Kaupthing* had been nationalized by Iceland’s government, it sued to block Iceland’s national TV network from broadcasting the details. This backfired, being the equivalent of getting a book banned in Boston - every publisher’s publicity dream! The imbroglgio got the entire nation fascinated, prompting so many Icelanders to go on-line to read the document that the gag order was lifted on August 4. The response was a shocked fury at the crooked behavior whose backwash threatened to engulf the nation in a bad foreign debt deal.

On August 1, Eva Joly, who had been hired as a federal prosecutor a half-year earlier, published her article in *Le Monde* that appeared in many other countries, criticizing Britain’s behaviour. But most disturbing of all was publication of the hard-line draft agreement that British and Dutch negotiators had handed to Iceland’s finance minister on June 5, 2009.

It failed utterly to reflect the caveats that Icelandic negotiators had insisted on the previous November. Bolstered by Gordon Brown's shrill rhetoric and Britain's insistence that the terms be kept secret, the *EU's* harsh take-it-or-leave-it stance created an atmosphere in which the *Althing* had little choice but to draw a line and insist that any *Icesave* settlement had to reflect Iceland's reasonable ability to pay. *Icesave* was caricatured as "*Iceslave*" signifying the debt peonage with which Iceland was threatened. The finance minister (a former Communist leader) seemed out of his depth in having knuckled under in the face of pressure to capitulate to unyielding British negotiators.

Iceland has decided that it was wrong to turn over its banking to a few domestic oligarchs without any real oversight or regulation, on the by-now discredited assumption that their self-dealing somehow will benefit the economy.

The amount of debt that can be paid is limited by the size of the economic surplus - corporate profits and personal income for the private sector, and the net fiscal revenue paid to the tax collector for the public sector. But for the past generation neither financial theory nor global practice has recognized any capacity-to-pay constraint.³ So debt service has been permitted to eat into capital formation and reduce living standards.

As an alternative to such financial lawlessness, the *Althing* asserts the principle of sovereign debt at the outset in responding to British and Dutch demands for Iceland's government to guarantee payment of the *Icesave* bailout:

The preconditions for the extension of government guarantee according to this Act are:

- that account shall be taken of the difficult and unprecedented circumstances with which Iceland is faced with and the necessity of deciding on measures which enable it to reconstruct its financial and economic system. This implies among other things that the contracting parties will agree to a reasoned and objective request by Iceland for a review of the agreements in accordance with their provisions.
- that Iceland's position as a sovereign state precludes legal process against its assets which are necessary for it to discharge in an acceptable manner its functions as a sovereign state.

Instead of imposing the kind of austerity programs that devastated Third World countries from the 1970s to the 1990s and led them to avoid the *IMF* like a plague, the *Althing* is changing the rules of the financial system. It is subordinating Iceland's reimbursement of Britain and Holland to the ability of Iceland's economy to pay.

This weekend's pushback is a quantum leap that promises (or to creditors, threatens) to change the world's financial environment. For the first time since the 1920s the capacity-to-pay principle is being made the explicit legal basis for international debt service.

The amount to be paid is to be limited to a specific proportion of the growth in Iceland's GDP (on the assumption that this can indeed be converted into export earnings). After Iceland recovers, the payment that the *Treasury* guarantees for Britain for the period 2017-2023 will be limited to no more than 4 per cent of the growth of GDP since 2008, plus another 2 per cent for the Dutch. If there is no growth in GDP, there will be no debt service. This means that if creditors take punitive actions whose effect is to strangle Iceland's economy, they won't get paid.

Iceland promises to be merely the first sovereign nation to lead the pendulum swing away from an ostensibly "real economy" ideology of free markets to an awareness that in practice, this rhetoric turns out to be a junk economics favourable to banks and global creditors. As far as I am aware, this agreement is the first since the *Young Plan* for Germany's reparations debt to subordinate international debt obligations to the capacity-to-pay principle.

No doubt the post-Soviet countries are watching, along with Latin American, African and other sovereign debtors whose growth has been stunted by the predatory austerity programs that *IMF*, *World Bank* and *EU* neoliberals imposed in recent decades. The post-Bretton Woods era is over. We should all celebrate.

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³ This is true about the economic cost-benefit analysis theory which identifies gains and losses but not winners and losers. But it is more complicated when it comes to practice. In the 1970s the *International Bank for Reconstruction & Development (IBRD)* required both an economic and a financial analysis in its feasibility studies for *World Bank* loans. In the 1970s while working for *Sir Alexander Gibb & Partners*, an international firm of engineering consultants, I was instructed that the oil-rich state of Oman was required to demonstrate its ability to pay down a loan that its British financial advisers were insisting it needed from the *World Bank* (it didn't). However, it is true to the extent that economists always have a bag of tricks at hand to fiddle the outcomes. In the case of the Oman regional roads development project with which I was associated as a young economist fresh out of college, a grandiose computer programme was written to forecast that the donkey a day we counted strolling past Lone Tree in 1973 in our '*Traffic' Origin & Destination Survey* would become hundreds of trucks a day (all carrying produce) twenty years later. This was of course complete nonsense. It would have required everyone in the country to be spending their day in the cab of a truck. My calculations demonstrating this fact were not thought suitable for inclusion in our report. But it produced the bottom line figures which were deemed to 'justify' the required political outcome...to put the Oman government in hock to the *World Bank* and bring in foreign contractors to construct an over-dimensioned metalled motorway to carry military vehicles from Muscat to combat the insurgency in the south of Oman. [Ed]

Iceland's Refusal To Pay: A Quantum Leap Away From Debt-Slavery by Notsylvia Night⁴*August 18, 2009*

Here in Iceland people say, that if the country's government agrees to give in to British and Dutch blackmail to pay the debts of the private internet-subsiary *Ice-Save* of the private bank *Landsbanki*, we all will become *Ice-Slaves*. So public opinion is forcing the parliament to refuse unconditional debt-payments. According to a new agreement payments are only to be made conditional as a percentage of economic growth.

Already a large group of international banks have come together to sue Iceland for full and unconditional payments. Joseph Tirado, from the British law-firm *Norton Rose* said that a large group of banks will be part of this law-suit. He did not want to give the names of those institutions neither would he say in what court the case would be heard. EU officials and others are threatening Iceland with international isolation.

Michael Hudson, economic professor, researcher and economic adviser to the Icelandic government calls the Parliament's agreement a quantum leap, which might, if it succeeds to be implemented, change the world's financial environment.

Hudson explains in his article *The Spectre of Debt Revolt Is Haunting Europe - Why Iceland and Latvia Won't (and Can't) Pay for the Kleptocrats' Rip-offs*:

- how Iceland, like Latvia and other east-European countries was tricked into the neo-liberal model of debt-accumulation and how this led to the financial melt-down;
- how the Dutch and, most of all, the British government deliberately increased the damage and so the debt, which by now has become practically un-payable;
- how the demand to pay the debt would lead to inevitable economic destruction;
- how the British and Dutch government subservient to their country's private financial institutions blackmailed the Icelandic government negotiators into a self-destructive agreement;
- how even EU- and international financial and legal rules were broken in the process;
- and how this all - with the help of the internet - was made public and so forced the Icelandic parliament to set tight limits on the debt-repayments, limits which connects the repayment with the real growth of the Icelandic economy, preventing also the whole-sale of Icelandic resources to foreign creditors as collateral of the debts.

In Hudson's opinion, if Iceland succeeds with this strategy, if the country can protect its sovereignty, then it will become a precedent for all other debtor countries all over the world and will end the unlimited powers of exploitation of the global banking kleptocracy.

Of course the international bankers know only too well that Iceland's move will be imitated by others, and that's the reason for the threats and the blackmail against the country. The few billion dollars of debt which would break the neck of a tiny country's economy mean practically nothing to the large debtor nations, but allowing Iceland a legal recourse connecting debts to the ability to pay without destroying the country's economy or infrastructure will finally connect economy with social responsibility and general ethics.

The national economy has first and foremost to serve the people, the majority populations of the country and not the other way around. International trade and finance must be a tool to serve the needs of the people around the globe and not a tool for some megalomaniac corporate elites with the support of their intellectual and political lackeys to transfer most of the world's wealth and resources into their own hands.

However the Icelandic stand has its risks. In the past, countries which opposed the plans of the corporate and financial elites have experienced assassinations of their political leaders, false-flag terrorist attacks and all kinds of political destabilization tactics. So friends around the world, please keep an eye on us. If something strange happens to us, you will know why it happens.

What we are already seeing here at the moment is, that we are flooded, absolutely flooded, with aggression increasing drugs like amphetamine and cocaine. Since the banking-collapse and the government re-nationalizing of the domestic banks to prevent the foreign take-over of Icelandic resources (like land, fishing quotas and hydro and thermal energy resources) the Icelandic police has confiscated literally tons of drugs and material for synthetic drug-production, and still the drug-prices on the Icelandic black market are at an historic low. Prices for aggression and psychosis increasing cocaine and amphetamine are far lower than for the calming drug marijuana.

Teenagers report about aggressive marketing strategies in the drug-market. Drug-promoters infiltrate groups of teenagers and give out drugs seemingly for free for many weeks. When the kids are hooked to the drugs, the drug-promoters ask for money, not only for new drugs but also for the ones already consumed. When the kids can't pay those "debts", they are threatened with violence to them and sometimes even their families. The only way out, they are told, is to become themselves drug-carriers, smuggling in drugs for their "creditors".

⁴ Source: <http://notsylvia.wordpress.com/2009/08/18/iceland's-refusal-to-pay/>

At the moment the situation has not yet deteriorated to violent gang-wars. When the minority neighbourhoods of Los Angeles and other major American cities were flooded with cheap crack-cocaine by CIA-connected drug-cartels the situation pretty soon deteriorated into near civil-war conditions.⁵ So my guess is that this aggressive pushing of drugs is just as deliberate here as it was in the 1990s in America, a way to destabilize a targeted society or the segment of a society.

I think, that the only way to fight covert attacks and destabilization attempts is by telling the truth, refusing the mantle of any official secrets' acts to be spread over any corruption, refusing to obey gag-orders, refusing to protect wealthy and powerful crooks and banksters, refusing to obey corrupt government organizations, refusing to give in to blackmail by intelligence agencies, refusing to be paralyzed by fear and trusting in democracy.

The ideologically motivated blindness to the fact that conspiracies do indeed exist must be cured by the courage to look the truth in the eye. The dots must be connected. When we look at what happened in other countries today or some years ago, we will see certain patterns. If we see those patterns reoccur in our own time and our own place we will understand what is happening. We then can denounce it publicly, citing earlier examples, and so in time the tactic of false-flag, destabilization or intimidation will eventually become ineffective.

Comments

1. August 18, 2009 at 9:21 pm | Joe Gall

This is probably one of the key battles for freedom being fought in the world today.

2. August 18, 2009 at 10:05 pm | Mondo Cantsay

Notsilvia Night - Please continue to write. We're with you and hope for a good outcome for the people of Iceland.

You were setup and robbed. Your situation clearly falls under the concept of Odious debt.

http://en.wikipedia.org/wiki/Odious_debt

3. August 19, 2009 at 3:43 pm | Percy

I suggest you also check this out about the deliberate policy of sending "Economic Hitmen" to developing countries to do exactly what this article discusses happened in Iceland. In the end, the objective is for the international elite to gain control over the world's natural resources and wealth that lies undeveloped. Remember our Secretary of Treasury and head of Obama's economic policy committee were at one time both *Goldman Sachs* assignees to the *IMF* to act as "economic hitmen for the *IMF* to capture the natural resources and wealth of those nations as they are emerging economies. Argentina kicked them out of the country and did a video on *Goldman Sachs* role in the entire destruction of their middle class. They also refused to pay the debt or give up their natural resources until they could rebuild their economy and that is exactly what they did. It is what the US should be doing, but alas, the traitors in our congress and senate are bought and paid for. We, the people, are beginning to realize we have limited options for action against them. Unfortunately, those options are not very nice. The link to the evidence of the existence of "economic hitmen" is http://en.wikipedia.org/wiki/Confessions_of_an_Economic_Hit_Man

4. August 18, 2009 at 10:31 pm | Jo

GO little Iceland! I'm praying for you folks. May you be the David that brings down the bankster gangster's Goliath! Your success must be realized if any of us is to have a future free of debt and of debt-slavery. May God assist you so that we too may be assisted. 50 Years Is Enough. Network: <http://www.50years.org/index.html>. The World Order: A Study in the Hegemony of Parasitism and the history and practices of the parasitic financial elite <http://www.modernhistoryproject.org/mhp/ArticleDisplay.php?Article=WorldOrder>. Final Warning: A History of the New World Order Illuminism and the master plan for world domination.

<http://www.modernhistoryproject.org/mhp/ArticleDisplay.php?Article=FinalWarning>

5. August 18, 2009 at 10:49 pm | Mouser

Barry Jennings tried telling the truth about 911 focusing on the premature bombs in building 7. He was terminated (died) and his family disappeared (removed). Please be careful.

6. August 18, 2009 at 11:05 pm | Ness

Indeed, Nout Wellink, boss of the Dutch national bank, knew about the bad loans of *Icesave* and the danger the savers were in a full year before the bank crashed. His meagre excuse was that he couldn't say anything for fear of creating a run on the bank - which is exactly what happened a year later anyway. In other words the Dutch government knew damned well what was going on but did not lift a finger!

on August 19, 2009 at 3:48 pm | Percy

Do the Dutch have a monarchy? If so, that is why. They are part of the globalizing agenda of the Bildebergs and will cooperate with their fellow royals in bringing this world to a fascist New World Order, run by the wealth, the corporations, and the banks. Remember, Rothschilds runs London, a principality and its not part of England.

⁵ We know from the late Gary Webb's investigation, which even was later verified by a *Congressional Investigation*, that the CIA was involved. We also know that this was done to destroy the progress the civil-rights movement had made in the decades before.

Rothschilds also own the BIS which is the bankers bank located in Switzerland, so this is an international bankers agenda. The arrogance of these people is impressive. Their depth of greed, dangerous not only to us, but to their own wellbeing. I would watch out if I were them. Ask Paulson...that is if anybody has seen him since Bush left office?

7. August 18, 2009 at 11:05 pm | BigUpIceland

Keep fighting the fraudulent banksters, Iceland!! It is time to bring these parasitic bankers to justice and destroy the destructive monopolies they hold over finance and the world's economies. Could it be that Iceland will fire the shot that is heard around the world in the fight for liberty from criminal bankers?

8. August 19, 2009 at 1:28 am | Tom

Although "destroying the progress of the civil rights movement" may have been a peripheral motivation for the flood of CIA crack cocaine into Los Angeles, the real driver was gentrification. In third world countries when the rich want to take over a slum for redevelopment, they just send in the police to evict the residents, and follow the same day with bulldozers. They couldn't do that in the USA so they destroyed the neighbourhoods they wanted with drugs, then bought up the foreclosed properties of the residents for pennies on the dollar through crooked deals with the government agencies which had taken over the mortgages. See Catherine Austin Fitts' six-part article on this and much more at <http://www.narconews.com/Issue40/article1644.html>

9. August 19, 2009 at 6:11 am | Brett

Good for you Iceland I hope you win the fight. It's time for the world to follow your example. Articles like this really give hope, this maybe the push the world needs to realise that we don't have to take this shit no more that the elite can only rule if we the people let them. Its time to trust our selves and come together as one and take our country's back one by one. Make me proud Iceland. Hell you'll make the world proud by setting the example. I just hope the world will be paying attention.

10. August 19, 2009 at 6:52 am | suraci

Debt slavery is the key issue of our time. All the rest of the dire elements we see in the world come from it. At the heart of this debt slavery is the Rothschild controlled banking sector. In the UK we have a clear sham of democracy, with an unelected Rothschild agent Peter Mandelson now openly serving the interests of his masters, as with his push on internet downloading laws for Geffen, rather than the electorate, who did not elect him anyway. The criminals doing all of this and worse, are now so brazen that they leave us little choice but to fight. Icelanders are fiercely independent and not the sort of people to be pushed around. They should resist, oust their sham Zionist government, and be a symbol for wresting control away from the Rothschild and back where it belongs, in the hands of the people. Icelanders, do not let them treat you with the contempt they show for the people of Iraq and Afghanistan, Palestine and Lebanon.

11. August 19, 2009 at 7:23 am | dn

fight the (.), its not like they would come out of their office to go fishing , I remember watching the crowds storm the bank , first class , to bad more don't have the resolve you do .

12. August 19, 2009 at 10:39 am | Tom Dennen

There is a strong case that can be taken to the Court of International Justice: The Doctrine of Odious Debt, a doctrine that says a debt incurred without consent is odious and non-repayable. South Africa's Bishop Desmond Tutu has started a process for the repudiation of debt incurred by the apartheid government. The basic argument is that the people did not benefit from apartheid money, it was rather used to suppress them and they therefore cannot in any way be expected to 'pay it back'. The onus is on the original lenders to show they 'did not know' how the loans were to be used.

13. August 19, 2009 at 10:45 am | Tom Dennen

It would be like asking the Palestinians to pay back the money and the arms given to Israel by America to suppress them.

on August 19, 2009 at 11:43 am | Notsilvia Night

Tom, Our situation is not comparable to the situation of the Palestinians. We haven't been occupied or bombed so far. Let's hope it stays that way.

on August 24, 2009 at 1:34 pm Percy

In case you haven't noticed, we are occupied right now as we speak. Look who is in the most powerful position in the White House, Rahm Emmanuel, he is an Israeli military IDF officer in the Israeli military. Now tell me we are not occupied??? That is why we are beginning to look like Palestinians and the division between us has begun, just like the Palestinians, the wealth has been taken from us just like the Palestinians, the debt is there and growing, food shortages are planned and being executed, just like the Pals, etc. They don't do war on us yet, because we are 300 million and the duel Israeli citizens occupying out White House, banking, bureaucracy, *Dept of Defense, Intel Services, Pentagon* etc, are about 3,000. Once they split us through this propaganda, disinformation, then they can attack us. Never fear, its coming. Right now they are going after the "right" because they are armed and the biggest threat. Once they get rid of them, then it will be any dissidents left regardless of political leanings. We will be a Gaza, count on it and we already know they don't care about International law, protocols, humanity etc.

14. August 19, 2009 at 1:04 pm | Dead Shark

Doesn't the Icelandic government and thus it's people bear responsibility for the banks actions which they failed to regulate? Four years ago they were proud to tell us that the Icelandic were a special people who merited fantastic financial success. If they were responsible then, why are they not responsible now?

on August 19, 2009 at 4:45 pm | robertsgt40

Except for the fact it was fraudulent. The people didn't know it but the people that made the deal did. That's what happens when you trust your elected officials to "take care of you".. I guess it depends on the definition of care.

on August 19, 2009 at 6:12 pm | Notsilvia Night

Who told you the Icelanders were a "special" people? Banking commercials? Commercials of any corporation tells you crap. You know that, everyone who watches commercials knows that, if he is older than six. As for the responsibility, most Icelanders, just like most British or American people have no idea, how money is created, how banking works. Until 5 years ago our banks were in public hands, either government owned or community owned or owned by pension funds or unions. Then our British "friends" from the HSBC bank came and talked the Prime Minister into privatizing the banks and the regulating agencies into not regulating them beyond European standards. The European standards were crap and the banks expanded like crazy. And by the way, the director of *Ice-Save* bank was a British banker with the name Mark Sismey-Durrant, who started his career at HSBC and -at the time of the crash- was a board member of "the Worshipful Company of International Bankers", the bankers-guild in London. I just don't feel responsible for what the City of London's "worshipful bankers" do in their Mammon-worship.

15. August 19, 2009 at 2:04 pm | Tom Dennen

Notsilvia Night and Dead Shark – exploitation comes in many ways, not always occupation and bombing. The Icelandic banks are part of the Capitalist system of exploitation, which began with the South Sea Bubble in 1720 and continues with what I call "Grand Theft, Planet" (It's a free book on the Internet) the current global crisis.

Technically, UK banks own Icelandic banks and the Bank of England (as well as the IMF, World Bank, the BIS and the American Federal Reserve Bank) is a privately owned, for-profit company. If the people of Iceland did not know who owned the three big failed banks (very, very few people in the US know that 'The Fed' is not a government agency), then they were misled and could, and should, examine the possibility of an Odious Debt claim. This is just an addendum yet to be added to Grand Theft, Planet: "If the love of money is the root of all evil, then it is easy to see how Capitalism – the formal adoption of the worship of money - has got the entire world into the financial and political mess it's in." Like every other Capitalist society, Iceland was robbed.

16. August 19, 2009 at 2:05 pm | Tom Dennen

Question is, "Where is the money?"

on August 19, 2009 at 4:47 pm | robertsgt40

There is no actual money. It's all paper transactions. Just a tool to transfer wealth. The dollar amount has no value...just the assets to be stolen do.

17. August 19, 2009 at 3:41 pm | Mr.RoR

Yes, where is the money? The whole thing to me is a gambling behaviour...I think there is still plenty of entrepreneurial stuff that is worth learning from. A recent movie named "The YES Movie" I like very much, the film producer Louis Lautman gathers together the nation's top young entrepreneurs to share their insights on success. Watch the YES movie at <http://www.TheYESmovie.com>

18. August 19, 2009 at 4:01 pm | robertsgt40

"threatening Iceland with international isolation" It is the banker's cartel that should be isolated. We are rapidly reaching the flashpoint of public awareness as to where the evil that has infected the planet. There will be no hiding. People have had enough.

19. August 19, 2009 at 8:40 pm | titopoli

Keep it simple, stupid: Every investor has to check the risk of his investment. If he is right he will harvest the benefits. If he did not do his due diligence or if he is wrong, he will lose his stake. Bingo! That is Liberalism, old or neo. Anything else is coercion – anti liberal. The people of Iceland did not defraud or cheat and is not responsible. Dont pay! Titopoli, Germany.

20. August 24, 2009 at 1:40 pm | Percy

True, but in our case, investors were deprived and fooled. How??? Back when the Fed Reserve was pumping \$45 billion a week into M3 which investors follow, they were creating conditions of "hyperinflation" and investors were reacting as they should have. However, once the fed realized they were not fooling the money people, they cut off publishing the M3 figures and thus investors were unable to see and then act in their own best interests. In addition, during the Clinton admin, a "plunge Protection team" was created under the excuse that they were needed to react to stop heavy market losses by jumping in and manipulating those same markets. Well, as you can imagine, they began manipulating the markets to manipulate the investors who had no idea it was the fed reserve doing the buying and selling in these various markets. They assumed it was "free market action" and it wasn't. So, of course, the investor behaved as the manipulating fed reserve wanted and thus the fed knew and controlled where the market would go. That is why its not that simple. There are no more free markets.

21. August 26, 2009 at 9:14 am Notsilvia Night

I agree there are indeed no more “free” money-markets, if there ever where any. I think money manipulation has nothing to do with free enterprise, which was supposedly the meaning of capitalism. It’s nothing else but a casino game. Free markets are supposed to be about the real, physical economy. I think a monetary reform is needed all over the world, if you want to rescue actual capitalism in the real economy. Investors should invest into the productive industry or the developing of resources and not into money-markets. Money-markets destroy the productive industry.

22. August 20, 2009 at 8:06 pm | siegfried

Hope that Iceland is smart and educates its volk not to buy drugs and gets rid of the IMF and all the other banks and don’t pay a cent to those banksters in the USA we should do the same and close the FED too because Washington is an open insane asylum if every country in the world would do it at the same time we be free of the bastards.

23. August 21, 2009 at 7:10 am | Tom Dennen

Boom-Bust By Design, An ‘Almost Unified Economic Field Theory’ Tom Dennen There are two basic kinds of money - one kind is based on debt, the other based on the work that you do. The debt-based kind of money just puts you into what’s called a mortgage bond, a death cage, a twenty year debt on a house and keeps you in a kind of indentured servitude to debt-based money for about twenty of the most productive years of your life. The other kind of money, based on your work (all wealth is created by work - Adam Smith) lets you keep the value of your work. This whole Swine Flu scam is about the debt-based kind of money: the Profit before People money, the pursuit (and love, or worship) of money over any other human concern. If the love of money is the root of all evil, then it’s easy to see how Capitalism, the formalized worship of money, has brought us to the current ‘global meltdown’ This Constantly-Under-Revision-And-Almost-Unified Economic Field Theory of mine will hopefully clarify things, Revision is the daily polish I put on the economic apple that just recently fell on my head - We’ll have some apple pie and ice cream with lunch, served up after the baked bankers. This ‘meltdown’ is current history and all of that which I mention can be checked, challenged, researched and then wept over because it is the proof that yet another generation of western citizens has simply been parted from its wealth once again - except Iceland, which has bravely refused. I’ve condensed western financial history through the last three centuries of middle-class wealth being transferred to the already wealthy, the main function of the Debt-is-Money system called Capitalism: On average, every forty-six years, for the last three hundred years since the collapse of the South Sea Bubble in the second decade of the 1700s, there have been five more commodity peaks in the world’s stock markets, followed by a crash, followed by a depression (and the theft of another generation’s wealth.) (Start on page 146 of “The Great Reckoning” by James Dale Davidson and William Rees-Mogg, Sidgwick & Jackson, published, yes, in 1993, when by then we should have known). Theft is my interpretation of their observation of these last six events: Once is an accident, twice is a coincidence, three times is a Declaration of War. Four times is the realization that the Declaration fell on the deaf ears of sleeping fools, five times is simple daylight rape and plunder of the same fools - the sixth time, this time, Grand Theft, Planet©, is perhaps, hopefully, a lesson finally learned, and the rest of us wake up, like Iceland - starting with Third World African countries? There has been a clockwork nine-year gap between commodity peaks and market crashes over the last five generations. Add forty-six years to that (the average number of years between peak and crash) and you have a boom-bust cycle twice every hundred years or once a generation, meaning every generation of working and middle-class citizens, for the last three hundred years has been good and truly and thoroughly plucked: First Time: Commodity prices peaked in London in 1711 The South Sea Bubble burst exactly nine years later in 1720. Depression followed. Second time: Producer prices peaked in London in 1763. The London stock market crashed again in 1772 (nine years later). Depression followed. Third time: Commodity prices peaked in London in 1816. The London stock market crashed in 1825 (nine years later). Depression followed. Fourth time: Wholesale prices peaked in New York in 1864. A worldwide assets crash began in May 1873 (nine years later). Depression followed. Fifth time: Then followed our beloved Great Depression in the 30s, about which much has been said, from which, little learned. Sixth time: Commodity prices peaked some fifty years later in Tokyo, in 1980. The Tokyo stock market crashed in 1989 (again, nine years later). The depression following that crash is now upon us: And, in the words of Teddy Roosevelt, “It ain’t over yet.”

24. August 22, 2009 at 7:18 pm | Steve

I am British and I can tell you that what goes on in the city of London stinks. I hope Iceland wins this battle.

25. August 23, 2009 at 12:37 pm | Sean

Good luck with it. There’s an easier solution than temporizing with the money lenders in payments in their debt, fiat paper. The country should issue its own currency directly from the treasury and regulate it in amounts directly proportional to the requirements of the market economy, debt free; then, by local law, exchange these for payments on the debt. This will require the abolition of a central bank, which should be engraved in law by constitutional means so that the rakes and wastrels won’t re-institute the bankers’ enslavery apparatus.

26. August 23, 2009 at 5:00 pm | Tiny Iceland Roars!

[...] Continue... Share and Enjoy: [...]

27. August 24, 2009 at 1:14 pm | Hayes

very nice, its very amazing.....

28. August 26, 2009 at 10:12 pm | Fr. John

Of course this is an inconvenient fact, but another country (Germany) post WWI, was also mired in debt, and unable to pay their debts to the same people. It lay with a minor political figure of a conquered nation to say, 'We are not going to take the International Banks' money, and we will stand on our own two feet again'... and they did. The Man's name? - Adolf Hitler - and the organization that brought about WWII, to crush Germany's avoidance of the usury trap by the International bankers? What was that title in 1933 in the British Daily Express Paper? Oh yes. "Judea declares war on Germany." It would appear that the more things 'change' and the more we think we can 'hope' ourselves out of the ideological morass known as Bolshevism, the more the ruling elite stays the same. Or didn't you know? Go, you Nordic heirs of the Vikings! Throw off the yoke of the slave-masters, once again! Fram, Kongsmen. Fram, Kristmen. Fram, Korsmen!!! (St. Olav's cry at the battle of Stiklestad, 1030 AD)

29. August 31, 2009 at 8:07 am | Sri Lestari

Finance is a very vital issue for a country. Especially in America who became the mainstream of world trade. Financial situation in countries affected by many things, one of the country's security. Thank you for this useful news.

30. September 1, 2009 at 8:00 am | Sabretache

Good stuff and spot on to expect every dirty trick in the book (and maybe some not in it yet) to keep Iceland under the heel of a hopefully collapsing neo-liberal economic order. There is some discussion of this over at the Deep Politics Forum which you may wish to check out. Here is one of the relevant threads - starting at post #415. <http://www.deeppoliticsforum.com/forums/showthread.php?t=19&page=42> .The very best of luck, from a UK national who thinks his government and State agenda stinks to high heaven.

31. September 4, 2009 at 7.33 pm | Eric

found great information here, it nice to read your article, I will visit this blog again and again, just keep posting useful information like this, thanks.

32. September 17, 2009 at 6:42 pm | William Shepherd

Let me add a couple of thoughts since these might be relevant to any deeper strategy invented for Iceland by the PR firms and think tanks of shadowy global powers. First this from an article entitled [Energy Wars](#) published in *Fourth World Review Number 88* in 2002: 'Iceland, with a population of a quarter of a million souls, is a tenth the size of Wales but has the political independence that allows her to have some say in her energy future. She is already gung-ho for the Rifkin option (see *Energy Wars* article). Within 20 years Iceland will have virtually eliminated fossil-fuel energy from the country and be running the entire economy on hydrogen. The plan is to first convert the country's fleet of cars, buses, trucks and trawlers to hydrogen and then use hydrogen to generate electricity and provide heat, light and power for Iceland's factories, offices and homes. Behind this transformation of the country's energy infrastructure is *Iceland New Energy* which is the type of *Private Finance Initiative (PFI)* much beloved by *New Labour* and by the governmental participants in the recent *Earth Summit*. This particular PFI is a joint venture between *Royal Dutch Shell*, *Daimler-Chrysler* and *Norsk Hydro* who have gone into partnership with six Icelandic participants: *The Reykjanes Geothermal Power Plant*, *The Reykjavik Municipal Power Company*, a fertilizer plant, the *University of Iceland*, the *Iceland Research Institute*, and the *New Business Venture Fund*. The Icelandic participants control 51.01% of the venture. 'Well,' as *Private Eye* is wont to say, 'that's alright then!' And secondly this from a *US Military Press Release* on 9th September 2006: 'Naval Air Station Keflavik (*NASKEF*) was disestablished on Sept. 8 during a ceremony officially ending its 45 years of operations in support of the defense of Iceland. More than 100 Sailors attended the event, representing a majority of the forces that remain of a population that once exceeded 5,000 military and civilian personnel and family members. The United States has had a military presence in Iceland since 1941, and a formal defense agreement with that nation since 1951. The Navy assumed the responsibility of running the air station from the U.S. Air Force in 1961. The base acted as a platform for several operational capabilities throughout World War II, the Cold War and in the modern arena. The hangar housed rotational P-3 Orion aircraft and crews in support of anti-submarine warfare until 2004. The Army National Guard units and Interim Marine Security Forces stormed the lava fields surrounding the base during training exercises such as Northern Viking. The flight line served as a launching point for U. S. Air Force F-15 fighters. The ceremony also marked the final moments of a transition that began in March. In preparation for the turnover, the *NASKEF* and tenant command team cleaned and cleared 550 facilities, and shipped 6.6 million pounds of household goods, 850 privately owned vehicles and 600 government vehicles.'

The effect of the latter is to eliminate a major means of Icelandic retaliation. Prior to 2006 the *Alting* could have just upped the rent on the base to solve their problems. The effect of the former is to create some powerful enemies...ones that just happen to be headquartered in England and Holland.

We must stop the 'vulture funds' that feed on the world's poor by Johann Hari

first published in The Independent on Friday September 18, 2009

Would you ever march up to a destitute African who is shivering with Aids and demand he "pay back" tens of thousands of pounds he didn't borrow - with interest? I only ask because this is in effect happening, here, in British

and American courts, time after time. Some of the richest people in the world are making profit margins of 500 per cent by shaking money out of the poorest people in the world - for debt they did not incur.

Here's how it works. In the mid-1990s, a Republican businessman called Paul Singer invented a new type of hedge fund, quickly dubbed a "vulture fund." They buy debts racked up years ago by the poorest countries on earth, almost always when they were run by kleptocratic dictators, before most of the current population was born. They buy it for small sums - as little as 10 per cent of its paper value - from the original holder and then take the poor country to court in Britain or the US to demand 100 per cent of the debt is repaid immediately, plus interest built up over years, and court costs.

If they can't pay, the vulture fund goes after anybody who is paying the poor country money, trying to force them to give it to them instead. In one instance, a fund tried to get a court order freezing Belgian aid payments to the Congo, saying it should go into their bank account.

Let's look at an example. In 1979 - the year I was born - the dictator of Zambia, Kenneth Kaunda, took out a loan for \$15m from the dictator of Romania to buy some tractors. Most didn't work. But after 20 years of non-repayment, the new democratically elected government of Zambia said it had no way to pay the loan, and negotiations began to cancel it. But a multi-millionaire called Michael Francis Sheehan, whose company Donegal International is based in a British tax haven, had spotted a chance. He bought the debt from Romania for \$3m, and took Zambia to court in Britain for the full amount - which had now piled up to \$55m.

The Zambian government explained that they don't have the money. A fifth of their people are HIV positive, and there are only 600 doctors covering more than 12m people. Most people are dead before their 38th birthday. The Zambian President's adviser, Martin Kalunga-Banda, explained - and aid groups verified - that if the government had to pay out for the dead dictator's bills, "medicines that would have been available to in excess of 100,000 people in the country will not be available.... [and] in excess of 300,000 children will be prevented from going to school." The people who will go sick or uneducated were not alive when the loan was taken out.

The British judge who heard the case was clearly appalled, but he said the law gave him no choice but to require Zambia to pay \$15m, a third of what had been demanded. Virtually all the debt relief the country had received that year - as a result of Jubilee 2000 and Make Poverty History - was wiped out.

What happens to the money once it is redirected? Sheehan - who likes to be known as "Goldfinger" - is fond of vintage Cadillacs, and lives in a mansion in Virginia. Singer used the cash he took to become the biggest donor in New York to George W Bush's 2000 Presidential campaign, and then went on to bankroll Rudy Giuliani's bid in 2008.

In the 1990s and Noughties, there was an extraordinary campaign by ordinary Westerners demanding that Africa's debt be dropped. It had a huge effect: \$88bn was cancelled. Malawi - to name just one - went from having to pay \$95m a year to \$5m. But these vulture funds are unpicking this progress with their long beaks, by grabbing the final threads of debt, and demanding they are all paid at once. Vulture funds have been demanding \$130m from Liberia - a fifth of its entire GDP.

I have been to two of the countries most aggressively targeted by the vulture funds - Peru, and the Democratic Republic of Congo. I spent a week in a gargantuan rubbish dump in Peru 35 miles north of Lima. It is home to more than 5,000 children. Among them I found Adelina, a little eight-year old smudge, living there in a nest she had built from trash. She spends all day searching for something - anything - she can sell. The vulture funds managed to get \$58m out of Peru, on a debt they paid \$11m for.

An hour's drive from Kinshasa, the capital of Congo, I found an orphanage filled with emaciated children. Since six million people have died in the war in Congo, these are the lucky ones: at least they have a roof. The vulture funds demanded \$100m from this country. When the government couldn't - on a week's notice - produce an inventory of everything they own for a US court, they began to rack up fines of \$80,000 a week.

Most people, when they hear about this, ask - why is this lawful? Of course it's important for countries to repay their debts when possible so they can continue to borrow for investment where necessary - but not if the debts were taken out by thieving dictators generations ago, and not at a loan- shark profit rate of 500 per cent.

As long ago as 2002, Gordon Brown said these funds were "morally outrageous", but only now are there tentative moves on both sides of the Atlantic against them. In the US, the Democratic Representative Maxine Waters has introduced a draft bill called the Stop Vultures Act. It would ban vulture funds from seeking "usurious" payments - defined as anything more than the purchase price of the debt plus six per cent a year interest. In Britain, the Labour MP Sally Keeble introduced a 10-Minute Rule Bill with similar proposals.

This pressed Brown to finally move. He says the British government will give a "debt relief discount" of 90 per cent for any country in the *Highly Indebted Poor Country (HIPC)* programme. This would kill the vulture fund business model. It's good - but it doesn't go far enough. They are lots of poor countries that don't fall into the specific HIPC category, and they will still be carrion under these proposals.

The energy that drove Jubilee 2000 needs to be summoned again to pressure both governments hard. Any measures in Britain will have to be introduced very soon because the Conservative Party is in practice defending the vulture funds. Nick Dearden, the director of the Jubilee Debt Campaign: "At first, we had some Conservative MPs who supported us, but they were quickly silenced by Central Office. They have been saying action against vulture funds isn't worth taking." Ah, the sweet scent of compassionate conservatism.

Is this who we want to be? Do we want to be a society that allows billionaires to sue the starving, the sick, and the stunted for pennies borrowed by somebody else, long ago? If not, we have to shut these funds - now.

Foreword to Truth from Mesopotamia by William Shepherd

© william shepherd 2004

first included in the October 2004 draft of *English Economic Politics for a New Century*

Michael Hudson was busy researching Babylonian economic history at *Harvard University's Peabody Museum* when he wrote his history of debt cancellations. The *Henry George School of Social Science* in New York printed a few dozen copies and stapled them together as a 124-page booklet entitled *The Lost Tradition of Biblical Debt Cancellations*. One of these eventually landed on Boudewijn Wegerif's desk.

Boudewijn worked as an advisor to the Swedish interest-free banking institution *JAK*. By the end of the 1990s he probably had the best e-mail list of academics and activists working for monetary reform. Boudewijn spent a couple of days summarising the booklet and in May 2001 sent it to his e-mail list. And so it landed in my inbox.

The earliest recorded debt cancellation was in 2400 BC when an *amargi* was decreed in Lagash in Mesopotamia. '*amargi*' is often translated by vague words like liberty but means an economic 'clean slate'. There were ten other clean slates in Mesopotamia up to the start of the Babylonian dynasty and another sixteen in Babylonia from 1880 to 1636 BC. King Hammurapi proclaimed four in forty two years. The *Hammurapi Code* is a key event in economic history and its most binding edicts were *misharum* ...'clean slate' debt, tax and bondage cancellations.

There were also regular edicts for debt cancellations in Assyria and Anatolia. And the custom was adopted by popular reformers until well into the first millennium BC, for example in Corinth and other Greek cities from 650 to 580. Greek reformers were called tyrants by their opponents...their tyranny being to overthrow the landed aristocracies, redistribute the property and cancel debts.

The refusal to lift the *Cross of Gold* off the back of humanity has now spread right round the world. Debt is growing exponentially and is now digitised in a world wide web of electronic accounts. On top of the pyramid sit the *World Bank*, the *International Monetary Fund*, the *Bank of International Settlements* and the *World Trade Organisation*. A washing away of the debt records as the clean slate was called in Anatolia three thousand years ago would mean deleting all financial obligations.

In Boudewijn Wegerif's view there is no way forward for humanity other than through a clean slate policy at individual and collective levels. Usury must be brought to an end, all debts entered into for profit must be cancelled and commercial factory farms parcelled out to farmers trained in human scale farming, which is not primarily for money. We must finish what Jesus began and end money lending at interest and exploitative merchandising that is now basic to our society.

Michael Hudson points out that a correct translation of the original *Lord's Prayer* is 'Give us this day our daily bread and forgive us our debts as we have forgiven our debtors'. Jesus' assault on his local synagogue and the Temple are best understood against this background. It is not Christians but radical economists who understand the significance of this episode in endorsing the *Clean Slate Doctrine* adopted by statesmen like Solon of Athens and Julius Caesar of Rome (almost). The ambivalent attitude of the Jews to debt cancellation in the history of their 'Jubilee' clean slate tradition runs through the *Jewish Old Testament*. For Jesus the central figure in *Christianity* it was central to his ministry

Jesus stormed into the Temple in Jerusalem, upturned the benches of the moneychangers and emptied their moneybags on the floor. He also overturned the tables of the merchants selling sacrificial animals. *The Christian Gospels* also report Jesus announcing in the words of the Jewish Old Testament prophet Jeremiah (7:11) 'My house will be a house of prayer, but you have made it a den of thieves'.

The central message of Jeremiah was similar to that of other Jewish prophets. To prey on the weak, to monopolise the land and wealth is theft. Many centuries later Proudhon was to say succinctly 'Property is Theft'. But Jeremiah also stressed the unique nature of the Jewish covenant which is a subtle mixture of the solidarity politics that are an article of faith to the left and the individual 'human action' approach beloved by the right. Jesus the Messiah was not required to put the world back in order by organising a clean slate like a Bronze Age ruler. This was the task of each and every Jew. In Boudewijn's words:

'The whole Jewish nation, everyone, suffers from the sin of usury and the related ills of land and labour exploitation. Jesus was not singling out the moneychangers and merchants as damned. They were after all doing legitimate business. He was serving notice on the whole nation and indeed the whole world that if usury is practised and if the

The Inverted Order present a unique set of economic problems distinct from the economic problems and opportunities of The Natural Order. Negative interest rates could do the trick, unwinding after years of winding up. There is something to be said too for Keynes's inflation of the currency. And Lincoln's greenbacks might also have a part to play.

But until economic scholars face up to the problem and set about the task of draining debt out of our societies, letting it be and putting a match to the books is unlikely to present the Greens (or anybody else) with a sensible course of action. And this fact is no help to the Greens as they try to put together a manifesto and go to the people with sound economic policies.'

But *Wegerif's Law* might give us a chance. The ratio of lending for 'goods' and 'bads' could be a good surrogate for a society's production and consumption of goods and bads. It might give us a tracker index that we can use to measure a society's deterioration from a *Cathedral Culture* serving ordinary people to a *Money Culture* where the society and its money distribution channels are controlled by the rich and powerful...and their institutionalised major and minor usury generators.

Truth from Mesopotamia by Boudewijn Wegerif

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We may be at the bottom line to economic and monetary reform in this article. If that is so, we have here the bottom line to Judaism and the Jesus event also. The implication is that there was a call on Judaism to establish a tradition of clean slate debt cancellations and land restitution and on the followers of Jesus to see his remonstrance against the moneychangers and merchants in this light. It also means that until the call for an economic clean slate is taken up and followed through on, there will be ever greater poverty and desolation radiating out from centres of increasingly obscene wealth.

The money-lending base to society is firmly in place. The media-politico picture may be of democracy ...with power to the people...but the actuality is of debt enslavement to a plutocracy...with power to the wealthy. So much so, it comes as a surprise to learn that there was once a tradition of debt cancellations and land restitution to prevent this.

The history of debt cancellations, through two thousand years from 2400 BC, is detailed in a remarkable booklet, *The Lost Tradition of Biblical Debt Cancellations*, by Michael Hudson⁶. Hudson has been an economic adviser to US, Canadian and Mexican government agencies and to the *United Nations Institute for Training and Research (UNITAR)*. The 124-page, stapled booklet is based on his work as a Research Fellow at *Harvard University's Peabody Museum* in Babylonian economic history.

My only quibble with the booklet concerns the title. What the booklet is really about is how the Bronze Age 'clean slate' tradition of regular debt cancellations and land restitution shaped Judaism and Christianity. Indeed, the tradition of clean slates belongs to this age, from 2400 to 1500 BC, and took root in Mesopotamia.

There were also regular edicts for debt cancellations in Assyria and Anatolia. And the custom was adopted by popular reformers till well into the first millennium BC, for example in Corinth and other Greek cities from 650 to 580.

I was amused to read that the Greek reformers were called tyrants by their opponents! Their tyranny was to overthrow the landed aristocracies, redistribute the property, amongst their own followers mainly, and cancel debts. The fact that the reformers were called tyrants indicates that we are no longer dealing with a tradition.

By the end of classical antiquity, aristocracies grew strong enough to block economic renewal, writes Hudson.

The same applied in Judah and Israel. The Old Testament records only two instances in which the debt grip of the creditor/landlord class was broken - the first being when the young king Josiah commanded debt cancellation in 610 BC and the second when the supervisor of the rebuilding of the Temple in Jerusalem, Nehemiah, commanded it in 444 BC.

More about these acts of economic restoration later. It is sufficient to say here that they were inspired by the Sabbath and Jubilee laws of Moses and the exhortations to economic justice by the prophets but that they did not give rise to a renewed clean slate tradition. Usury...the practice of biting into the livelihood and property of others by means of interest charged on money, goods and food loans...was by then too stubbornly rooted in society.^{7 8}

During the Bronze Age, a general amnesty, including debt cancellation and a return to forfeited homesteads, was normally proclaimed by a new ruler on the first day of the New Year following on his accession. Or it might come after a military victory, and if the rule was long, perhaps again after twelve years, and certainly after thirty years.

⁶ Funded and published by the *Henry George School of Social Science*, 121 East 30th Street, New York, NY 10016, US. (Tel: (212) 889-8020).

⁷ The Hebrew word for usury is '*neshek*' which means 'a biting'.

⁸ The modern definition of usury as excessive interest, over and above the legal rate approved by civil authorities, perverts the original meaning of the word. According to Hudson, 'neither Hebrew, Greek nor Latin had separate words to distinguish between 'interest' and 'usury'. That distinction is a product of Canon Law seeking to carve out a form of financial gain (*interesse*).

The social structures to the tradition were patterned to reflect the rhythms of nature - that is, of a spiral of returns to new beginnings. The motive was to put the world back in order. The need was to secure the loyalty of the people. This loyalty, and the belief the rulers shared with the people that their rule was endorsed by the sun-gods of justice, was the base to rule, and not money lending usury as now.

Then as now, it was debt that disturbed the cosmic harmony, broke down economic balance and the self-sufficiency of small farmers. So long as the debts remained public to the palace and temples, writing them off regularly posed no real problem. The difficulties arose as bit by bit, by usury bite, private wealth grew and rich individuals set about creating an alternative power base founded on private property and the supply of food and money, grain, gold and silver, for personal gain.

The earliest debt cancellation on record was promulgated by a ruler of Lagash in Sumer, Mesopotamia, around 2400 BC. After his victory over the neighbouring city of Umma, the ruler Enmetena instituted liberty in Lagash. He restored the child to its mother, and the mother to her child: he cancelled interest...and probably the debts themselves.

The word liberty is from *amargi*. According to Hudson, the analysis of subsequent *amargi* proclamations has left no doubt but that the term should not be translated vaguely as 'liberty' or 'freedom' in the abstract, but as an economic 'clean slate'.

Hudson goes on to detail ten further clean slates by different rulers in Mesopotamia up to the start of the Babylonian dynasty, and another 16 in Babylonia, from 1880 to 1636 BC. Of these, the great king and lawgiver Hammurapi, who firmly established the Babylonian Empire in 1792, proclaimed four in 42 years of rule.

Hammurapi is a key figure in economic history because of the Hammurapi Code, by which every aspect of economic life was regulated. Anybody breaking the Hammurapi Code was weighted down and thrown into the river. I have that from *The Penniless Billionaires* by Max Shapiro (*Times Books*, New York 1980). Shapiro, incidentally spells Hammurapi, Hammurabi. My *Oxford* dictionary gives both spellings.

Hudson doesn't mention it, but it belongs to monetary reform to mention briefly that because silver was in short supply, Hammurapi decreed that all rural transactions were to be in barley, and only city transactions in silver. And he introduced the first price control system in history. Everything was priced, even the extraction of a tooth.

Michael Hudson writes that it was Hammurapi's misharum - i.e. 'clean slate' debt, tax and bondage cancellation - edicts that were the most binding. Giving Babylon's soldier-peasantry tenancy rights on their lands that was not encumbered by debt was central to Hammurapi's military campaigns, as they had been for his father.

Even so, when Hammurapi's son Samsuiluna took over he found the land so burdened by debt, he at once 'restored order (misharum) in the land', declaring that 'nobody shall move against the homestead of the soldier, the fisherman and other subjects'. The tradition was maintained, in turn, by Samsuiluna's son and grandson, Abi-eshuh and Ammiditana, who between them proclaimed four misharums.

The periodic restorations were made relatively easy by the fact that debtors were rarely expelled from the land that they 'lost' to creditors. 'What changed was the nominal but usually temporary ownership of the land, and consequently the distribution of crops or income,' writes Hudson.

'The important thing is that cultivators were able to survive without losing their land and personal freedom permanently, and hence without having to flee the country, as would become widespread practice through the Near East by about 1400 BC.'

The last recorded clean slate in Bronze Age Babylonia was that of Ammisaduqa in 1636 BC. By then, the edicts for it were quite complex and long, to try to close loopholes by which creditors were avoiding having to refund on foreclosed debts. Without much success. The debt enslavement grew as trade and even the management of local temples was 'passing into the hands of private families who did not need to keep formal records,' writes Michael Hudson.

There were also debt cancellations in Assyria and Anatolia. The practice was based on the Babylonian clean slate tradition, but was ordered out of necessity rather than a wish to maintain the tradition. Commercial records show Assyrians and Anatolians falling into debt to each other at interest charges of 20 percent or even 30 percent among the Assyrians, and sometimes more than double that for Anatolians.

When the debt oppression got too severe, writes Michael Hudson, 'local rulers might declare a general debt cancellation, called hubullum (debt) masa'um (to wash), literally 'a washing away of the debt records', that is, a dissolving away of the clay tablets on which financial obligations were inscribed. Properties and persons taken as pledges for debts, or compulsorily sold against debt, would be returned to their original owners or families.'

Hudson comments that Bronze Age rulers throughout the Middle East seem to have recognised 'that if they permitted usury, debt-servitude and the sale of debt slaves from one town to another to continue, much of the population would end up losing its land and thus would be unable to pay duties or taxes, provide labour services or serve as a fighting force.'

As the clean slate tradition waned under pressure from private wealth owners, bite by usury bite land was closed off to a growing proportion of the rural populations throughout the Near and Middle East. Many people were forced to leave their native lands to become hapiru - i.e., marginalised.

The great Exodus out of Egypt under Moses at around 1250 BC was of the hapiru in Egypt. The word Hebrew is from hapiru. Hudson writes that the 'agrarian problem was so widespread that the term hapiru did not yet signify a national or ethnic identity such as the Hebrews subsequently were represented to be.'

Of course, the hapiru, who became the Hebrew-speaking Israelites, knew about the Babylonian misharum. Yet few Christians today know that when they sing 'Hallelujah', they are repeating the ritual term 'alulu', which was chanted to signify the freeing of Babylonian debt slaves, in a rite that included anointing the freed person's head with oil.

In shaping their own nation, the hapiru, Hebrew-speaking Jews, put their own unique slant on the clean slate tradition of earlier Babylonia. All around them they saw how kings were allying themselves with the local aristocracies rather than with the population at large. They could not trust such rulers. They were attached to the Lord God who had led them out of slavery in Egypt. In his name they placed the responsibility for moral order in the hands of the congregation and held the land as the Lord's gift to support a free rural community.

Thus the great social prophets, starting with Isaiah and Amos in the late ninth century, proclaimed freedom and order, and the Biblical lawmakers prescribed clean slate debt cancellations and land restitutions, not as a tactic to gain the loyalty of the people, as in the Bronze Age, but as basic to 'a national covenant with the Lord of Justice and Righteousness,' writes Hudson.

It was central to every prophet's message that the land would be lost not only militarily but also spiritually if rulers failed to sponsor economic restoration. Debts were to be cancelled every seventh year, 'because the Lord's time for cancelling debts has been proclaimed' (Deuteronomy. 15: 1-2).

Furthermore, 'Land must not be sold in perpetuity, for the land belongs to me and you are only strangers and guests. You will allow a right of redemption on all your landed property, and restore it to its customary cultivators every fifty years (Leviticus 25:23-28). Israelite bondservants (slaves) likewise were to go free periodically in the Jubilee Year, for they belonged ultimately to the Lord, not to any person (Leviticus 25:54).

What was involved, in Hudson's words, was 'a sacred compact, to be preserved by the Israelites in memory of the fact that they had once been enslaved and must never again permit economic oppression to develop'. Every member of the congregation was considered to be party to that compact.

Because of this, whereas during the Bronze Age it was not the people but the rulers who were punished by the sun-gods if there was a lapse in social equity, under the Jewish national covenant the entire Israelite nation, and therefore every individual, was made responsible and would suffer if the Sabbath and Jubilee Laws were not put into practice.

The Sabbath and Jubilee laws did not take root. A clean slate tradition was not engendered. As already mentioned, the Bible records only two debt cancellations. In 610 BC the young king Josiah, who was much under the influence of the prophet Jeremiah, called together the elders and convened all the people 'to read to them the law and to get them to reaffirm its stipulations by acclamation' (2 Kings 22-23).

Then came the Babylonian captivity of Judah's inhabitants from 586-516 BC. History shows that despite their own laws against it and what they will have learnt from the ancient tradition and lenient rule of the Babylonians, once back in Judah, the leading Jews practised debt slavery to a degree that was unknown in Babylonia itself.

When Nehemiah, who was put in charge of the reconstruction of Jerusalem, arrived there from Babylonia in circa 444 BC, he was shocked into taking action. For his own people were saying, 'We are mortgaging our fields, our vineyards and our homes to get grain during the famine...Although we are of the same flesh and blood as our countrymen and though our sons are as good as theirs, yet we have to suffer our sons and daughters to slavery.'

Nehemiah confronted the nobles and officials, who agreed that they would give back immediately the fields, vineyards, olive groves and houses, and also the usury they were charging the people - i.e. 'the percentage of their money, grain, new wine and oil' (Nehemiah 5).

It was an impressive once for all effort. Thereafter, there will have been individual cases of the Sabbath and Jubilee laws being invoked on behalf of dispossessed debtors, but not on any scale. There was even an act to undo the Jubilee laws, by means of Rabbi Hillel's *prosbul*, a legal clause by which borrowers signed away their rights to avail themselves of the Jubilee Year.

And when the Roman's occupied Judah and Israel, the Roman principle of the permanent loss of status of debtors was applied. 'Now it was the debt obligation that was sacrosanct and not their cancellation,' writes Hudson.

By Year One and Jesus coming on to the scene, usury ruled over the nation of would be free individuals. Judaism was dominated by representatives of the wealthy.

In the Lord's Prayer that Jesus taught, it is said, 'Give us this day our daily bread and forgive us our debts as we have forgiven our debtors.' The invocation goes to the heart of the hunger pangs of a debt oppressed people who owed far more to Jewish creditors and landlords than to the occupying Romans in taxes.

Knowing about the lost Babylonian tradition of debt cancellations and their own neglected and circumvented clean slate Jubilee rights did not help. When Jesus identified with the words of the prophet Isaiah, 'The spirit of the Lord is on me, because he has anointed me to preach good news to the poor' his home-town audience knew that he was talking about the Jubilee and went into denial (Isaiah 61:1,2 and Luke 4:18).

They marvelled at his manner and that he was one of them, 'Joseph's son'. Then, when Jesus charged them with the denial, they were furious and drove him out of the synagogue with the intent of throwing him off the cliff.

Like debt burdened people everywhere, the chances are that they did not want to fall foul of their creditors and landlords, whom they perceived as being too strong as a group for any popular leader to take on with any hope of worldly success.

Yet, there were zealots - as the nationalist, would-be reformers were called who were ready to be like the Greek 'tyrants'. The zealots were excluded from gaining temple office because of their advocacy of the poor and weak. However, they found each other in the Essene and other non-mainstream sects, and several saw Jesus as the anticipated Messiah through whom the nation and the economy would be restored.

It is against this historical background that Jesus upturned the benches (banks) of the moneychangers and emptied their moneybags on the floor. He also overturned the tables of the merchants selling sacrificial animals, and announced, in the words of the prophet Jeremiah (7:11), 'My house will be a house of prayer, but you have made it a 'den of thieves'.'

He will have known the consequences. After what had happened in his home-town synagogue, he could hardly have hoped for a popular uprising, and certainly not one that would be successful. Crucifixion was the only likely outcome. So why? Why, sensibly speaking, was Jesus so foolish?

Michael Hudson writes that Jesus' citation of Jeremiah when he ran amok amongst the moneychangers was deliberately significant. In context, Jeremiah was saying that 'to prey on the weak, to monopolise the land and wealth' represents theft.⁹

And what are the consequences of this theft in biblical terms? Leaving the name of God out of it, the consequences as spelt out by Jeremiah make clear economic sense. Where the theft of usury is allowed 'anger and wrath will be poured out' and 'the land will become desolate,' writes Jeremiah. All will suffer, man and beast; and the trees of the field and the fruit of the ground will burn and not be quenched (Jeremiah 7:20 and 7:35).

What Jeremiah describes is in line with the central message of all the prophets and the uniquely theocratic to democratic nature of the Jewish covenant. The whole nation, everyone, suffers from the sin of usury and the related ills of land and labour exploitation.

Therefore, Jesus was not necessarily singling out the moneychangers and merchants, who were after all doing legitimate business, as damned. He was serving notice on the whole nation, and as it has turned out, on the whole world, that if usury is practised and if the spirit of regular debt cancellation and freedom from land bondage is not upheld, the earth breaks down. It is made desolate, simply because a sustainable economic order is made impossible by the theft.

In terms of the sacred Jewish compact, Jesus, as the acknowledged Messiah by his followers, was not himself required to put the world back in order, by organising a clean slate like a Bronze Age ruler. Rather, the call on him was to remonstrate for economic restoration and demonstrate the consequences if the remonstrations fell on deaf ears. And he did so in dramatic style, with a performance that has charged the usury of moneychangers and merchants to everybody's account, morally speaking.

The Year One reality is now global. We have seen how by then in history, the clean slate tradition had been abandoned under pressure from the land owners and money lenders. And nothing has happened since then to correct that. Land owning, money lending and commerce are still carried on out of the same mindset that Jesus remonstrated against in Jerusalem.

The stubborn refusal to stop 'thieving' and lift the cross of debt off the back of humanity has spread right round the world. From Jerusalem, through Rome and Constantinople, to Venice and Florence, Genoa, Amsterdam and Antwerp, London, New York, Tokyo, Frankfurt and Paris, Quebec, Moscow, Delhi, Buenos Ayres, Johannesburg, Sydney and Stockholm.

⁹ Michael Hudson writes that in 1516 Martin Luther preached a sermon on the eighth commandment, classifying usury as a form of theft and warning that it was destroying cities much as a worm destroys an apple from within its core. In similar vein, John Calvin, in the final year of his life, wrote a commentary on Ezekiel defining fraud and usury as theft. He held that wealthy lenders were as guilty as robbers and highwaymen in breaking the eighth commandment.

The record of debts has grown and grown, and is now digitised in a world wide web of electronic accounts. The whole is controlled by a thousand commercial banks of consequence, 125 or so central banks, and four mainstays - the *World Bank*, the *IMF*, the *Bank of International Settlements* in Basle and the *WTO World Trade Organisation*.

'A washing away of the debt records', as the clean slate was called in Anatolia three thousand years ago would mean, in today's terms, deleting all financial obligations, as electronically digitised. A tall order, yes; but until there is a clean slate for justice and righteousness' sake, the global desolation that is already on us will grow worse and worse.

This is not a religious matter, although that comes into it. Nor is it purely an economic matter. It is a matter of the survival and enhancement of our humanity, in wisdom and intelligence, for the crowning glory of a life worth living, in every respect, for all who want it. As for those who don't want it, like persistent usurers, maybe we have to be firmer about understanding why there needs to be a parting of the ways, and follow through on that.

As I see it, the 'house of prayer' that has been made into a 'den of thieves' is now in every heart, in every home. We have each of us individually to drive out the economic oppressor from the temple that we are in body and soul, and we have to be willing to remonstrate, at personal cost, against those who remain stubbornly for profit and private wealth before people and good governance.

The Lost Tradition of Biblical Debt Cancellations by Michael Hudson has brought home to me (again) that there is no way forward for humanity other than through a clean slate policy at individual and collective levels. If we want a worthwhile world for our children and theirs, usury must be brought to an end, all debts entered into for profit must be cancelled and the commercial factory farms must be parcelled out to farmers trained in human scale farming, which is not primarily for money.

We are all of us responsible for, and all suffer, for the usury of all. And as impossible as it may seem, it is only as we follow through on what Jesus began that we will see an end, eventually, to the money lending at interest and exploitative merchandising that is now basic to our society.

Afterword by William Shepherd

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In the book *Human Ecology* published in 1947, the retired Heriot-Watt Professor of Biology, Dr. Thomas Robertson set out a model of society that helped him to explain how societal inversion had taken place and the role of the usury virus in causing it. It is worth our while taking a little time to understand the Robertson model (*see The Foundations of Structural Sociology*)

Society, argues Dr. Robertson, can be thought of as made up of seven great complex systems of human action. These seven mechanisms can be pictured forming themselves into a hierarchy of dominance. In the natural order of society, power flows through ethics and values from the religious mechanism to the education mechanism and from there to the political mechanism.

It is here in the political mechanism that the needs, the hopes and the aspirations of the many little people making up a society are translated into a language of policies and programmes of action so designed that they emerge in a form suited to the workings of the administration mechanism, which is then charged with the task of seeing that the things that society has decided to do are done the way society meant them to be done. So far so good.

In a well ordered society, the administration mechanism will then work through the sanctions mechanism distributed throughout society in the form of rewards, taboos, laws, customs, manners and the like to influence the day to day work that is carried out by the many little people with the help of energy slaves, intelligent tools or whatever else they need for their particular task, in the industrial mechanism.

At the bottom of the heap, as a service to the calls of the industrial mechanism is the financial mechanism, releasing money, making available credit and regulating the rewards of money, property and wealth according to the needs that society has for goods and services.

This is The Natural Order. The usury virus, by introducing the notion that time is money into society, works to invert this natural order by subtly shifting the balance of action away from the eternal verities of beauty, justice, kinship and the summum bonum (the good life). The end result is to degrade work from vocation and toil into jobs and labour, while placing a price on a man's life.

Gradually there arises a class of men whose business in life is to make money, not in the good sense of creating new wealth by the use of their minds and making available a good or a service which has value in the eyes of their fellow men, but in the bad sense of devising tricks to force their fellow men in society to give back two when they were given one.

This is far from being the whole story because usury works in many a mysterious way when it becomes detached from some broader purpose such as might be provided by the taking of some speculative risk or the participation in some wealth producing discovery or the financing of the first cycle of some new good requested by society (for only the first cycle needs the moneylender as Henry Ford figured out quite early on in his practical education).

Francis Bacon pointed out the effects of usury in placing everything in the usurer's box because only he incurs no risk. And before Francis Bacon's essay on usury the schoolmen of the Middle Ages in the complexities of their multitude of canon laws were always most careful to distinguish the bad thing usury; from the right and proper thing interest, the reimbursement for some loss or other so that the lender was no worse off at the end than if he had not lent.

Even the Jews vilified throughout European history as moneylenders and usurers recognize the social evil of usury, contrary to popular myth, and have no place for it within their own communities and amongst their own people.

Usury was for the Goy and with the hindsight of history was probably not usury at all but interest, such was the debasement of currency and the expropriation of Jewish wealth by force of arms.

It is also sad to see how rarely the sanctity of the written contract so central to Jewish thought is rightly treated by historians as a source of wealth creation by the stability and confidence it creates in the industrial mechanism. The arguments of Shylock in Shakespeare's *Merchant of Venice* are not to be dismissed lightly.

Not all money lending is usurious. Nor is all usury of a monetary nature. But the introduction of the idea of money into a society and the establishment of a debt-credit mechanism for the issuing of it will inevitably lead to the inversion of society.

No longer will society function like a healthy organism as it does in the natural order, but will be at war with itself, each of the seven mechanisms being compelled to work against its own intrinsic nature.

In *The Inverted State*, the power flow in society is reversed. Explains Dr. Robertson. The financial mechanism releases credit for nuclear power plants and channel tunnels and through the structure of the currency system distributes money to corporate bodies; such as governments and limited liability companies.

Credit is unavailable for the elimination of scarcity; for products needed by those without money to pay for them; and for providing services which cannot be sensibly marketed as a commodity with a price.

The arts and the world of sport which should be organized and financed by those who participate in them and those who obtain so much joy from them are instead compelled to scramble at the table of the rich corporation because only they are issued with the money and can see a return for their investment.

How much better it would be, as G.K. Chesterton, Hilaire Belloc and the Distributists argued, to issue money instead to people and let them determine if there were some public service for which some common organization was required.

How much better it would be to abolish the right of corporate bodies to be treated in law as legal entities, as Thomas Jefferson argued, instead letting people speculate in their own merchant adventures, be taxed (if any such should be needed) in their own right, and own (if they do not wish it to be thrown into the common stock) their own wealth.

Personal possessions and common wealth were the basis of the just society. Private property, argued G.B. Shaw, not personal property was what Socialism was intent on abolishing.

When the financial mechanism no longer provides society with the financial services that its industrial mechanism requires to carry out the tasks the society wants it to do, then the answer for R.H. Tawney is not to cut back the demands and throttle the supply but to throw out the financial system and replace it with a better one.

That after all is exactly what happens when a country's survival is threatened. Putting a country on a war footing means overriding the financial mechanism and placing orders for goods and services with the industrial mechanism directly. It is the deliberate reversal of the power flow between the industrial and the financial mechanisms from that of the inverted state to that of the natural state.

That after all is exactly what will happen when The People's Army opens fire on the five million citizens of Hong Kong for subversive counter-revolutionary tendencies. The Dogger Bank will be leased for ninety nine years to the people of New Hong Kong.

But why can this not be done for the people of Newcastle and Sunderland right now? Why can the industrial mechanism deliver on the opportunity in times of crisis what it is refused permission to deliver in times of calm?

In the inverted state the financial function calls the shots and the only game it has learned to play in reaching its ascendancy is to monopolize the issuance of money and credit and release it only to those who would make more money with it or further consolidate the power of the financial mechanism and the financial filter by which it exercises its control.

In the inverted state, money and credit is no longer available to provide for the exchange of goods and services and the provision of a stable store of value, the only two legitimate purposes of money and credit, but is instead made a scarce commodity to itself be traded for power favours.

The political mechanism by relinquishing the issuance of money and credit plays a pivotal role in the inversion of society. This has always been understood by the Thomas Paines and the Napoleon Bonapartes as they have attempted to craft constitutions that would guarantee that power flows in the natural way.

This has always been understood by the financial power and the religious power as they have attempted to switch the direction of the power flow at the very high leverage points in each of the other mechanisms by acting on the money and the credit flow as surrogates for power and increasingly so the greater the monetarisation of social action.

It is not enough, argues Dr. Robertson, to give Parliament the power to spend and the power to exact taxes, because all that happens is that the clerks invent the idea of a national debt which blows the whole underlying idea of power to the people sky high.

In Great Britain this extraordinary sabotage of the tax and spending power of the Parliament was first used in 1836. The Money Power lent the Parliament twenty million pounds 'to abolish slavery'. Quite an irony! It followed it up in 1848 with another nine million pounds for the Irish famine. We the people were on the slippery slope. Next came Disraeli with his purchase of the Suez Canal and the cat was out among the pigeons.

Thomas Paine's remark that wars were declared to raise taxes and not the other way about was now beside the point. The idea was afoot that Parliaments should turn to the Money Power whenever it had a neat idea. No longer was it Tax and Spend. Now, despite all Gladstone's efforts (and he brought the national debt down from eight hundred and forty six million pounds in 1816 to six hundred and fifty million pounds in 1914) it was Spend and Borrow... and Tax to service the debt. The power flow had been reversed and was now flowing from the financial mechanism to the industrial mechanism. The sanctions mechanism was now protecting private property, a euphemism for using force to stamp on any attempt to revert the power flow to the natural state.

The administration mechanism, as always, like a reed in the middle of a stream, moved with the flow, its primary concern for 'keeping the show on the road' now fed no longer by the high moral principle of implementing political decisions that have flowed from an educated citizenry deliberating under the overarching virtue of a moral law and an ethical code, but working now to the lowest of principles. The piper calls the tune. Might is right and the creed is greed.

Of course the national debt was always explained as a war debt and to this degree Thomas Paine's remark was well placed. The wars against France and Spain from 1688 to 1775 for instance had put another hundred and twenty eight million pounds on the ledgers and the Napoleonic wars had done their bit with yet another six hundred and seven million pounds.

But this was no different to the age old practice by which the king's heavy mob extorted money from the moneylenders to pay the soldiers. It accumulated on the books, it was ingeniously transferred from the strong to the weak in the counting house, and eventually it was wiped out by the revolution. The law of force always wiped the slate clean in the end.

But what we have now is something different. It is the institutionalizing of usury as the invisible hand of an invisible tyrant, The Money Power, who directs it to disempower any who would unmask the emperor or remove his crown.

And oh what a glorious opportunity to topple this power has been missed in Great Britain. How sensible it would have been to call in the debt and abolish it completely giving shares in the real public companies that the Conservative Party 'privatized' in return.

Had this been done and had this been followed up by the deprivatization of the Bank of England, then we could have returned to a sane Tax and Spend regime for the public purse.

But it was not to be. Instead it will be the old way once again. Books fiddled in the counting house, the weak dispossessed by the strong, and touch and go between the various historic solutions of the money problem - most of them violent and all of them unpleasant.



Ingolf by Raadsig

Ode For The Common Man by William Shepherd

In Xanadu did Kubla Khan
A stately pleasure dome decree
But lofty thoughts were led astray
By withered minds too blind to see

Now comes the ancient mariner
With grim tales yet untold
Of troubadours and knights of yore
Cast on a cross of gold

Their trust they place in graven words
Their sophists speak to lie
But those whom force of law can make
Can law of force defy

In England's green and pleasant land
Man thinking heard that Grecian sound
And he allowed that hearth and home
Should n'er be harmed by clerk or gnome

In truth and justice will we live
With hope and honour in our breast
Out out damn mystics let us be
Farms for people towns for free