Get Active Locally

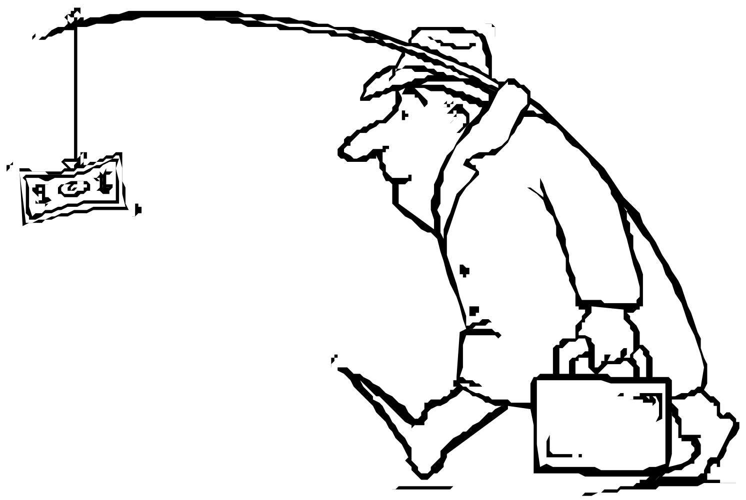
An independent group of Kingston citizens, who meet weekly to discuss social, economic, political and environmental issues, will be beginning their second year of activities on Tuesday, September 5th, 1995, at the Kingston Public Library, from 7:00 to 9:00 pm. (to confirm all future times and locations, call the numbers listed at the end of this article).

This year's first meeting will focus on Margrit Kennedy's marvelous new book entitled "Interest and Inflation-Free Money". Using brilliantly simple concepts, Kennedy explodes some of the most common misconceptions about money, interest and inflation. One such fallacy suggests that if you are not in debt personally, then it doesn't hurt you when interest rates rise. Kennedy explains how the cost of borrowed money is embedded in the price of all the goods and services that we consume. When businesses borrow money to finance their operations or expansion, they must pass on their interest costs to consumers in order to make a profit. Kennedy shows that the cost of borrowed money, accumulating in the price as goods and services move along the production and distribution chain, can account for as much as 77% of the final price that is charged to consumers (as in the case of public housing). Also, Kennedy examines many interest-free monetary alternatives that have been tried or are currently operating around the world.

The Kingston group will be exploring the possibility of introducing an interest-free, local currency into Kingston. With unemployment on the rise and workfare looming, such a currency could be an important way to help stimulate community cooperation and local job creation.

The group is also interested in considering strategies to encourage Quebecers to vote "No" in the upcoming referendum on separation. There is much evidence to suggest that the breakup of Canada has been planned, well in advance, by both the "Yes" and "No" sides in Quebec, the Canadian federal government and the government of the United States. Many group members are concerned by the unusual number of military exercises and troop movements that are occurring throughout the Kingston region and the province of Quebec.

All citizens are welcome to attend these thought-provoking meetings. Transportation can be arranged by calling Bill Parish at 389-3822 or Tim Seitz at 544-0453.



What's The Real Meaning of Life?

The most dangerous thing that an individual or, worse yet, a society can lose is its vision of what is possible. Such a vision can only exist so long as it is recognized that everything that exists today, exists solely because, sometime in the past, we accepted that its existence would be possible. Once enough people forget this simple truth and begin believing that certain things are "beyond our control", or are unchangeable "facts of life", then one of the greatest gifts or attributes of our species begins to decay. No other species on earth shares the human capacity for imagination and adaptation. Our ability to "dream" has enabled us to survive and prosper, even as living conditions became horrific during famines, depressions and wars.

Throughout the ages, many have tried to suppress the imaginations of others whose views and aspirations challenged the "conventional wisdom" of the day. The notion that the earth was round was madness in pre-Copernican society. Anyone attempting to circumnavigate the globe would certainly fall off the edge of the earth. Somehow the notion of "knowing" dulls the natural inquisitiveness of the human mind and replaces curiosity with contentment or, in some cases, even contempt. Sometimes the definition of "truth" is deliberately managed to divert the public's imagination away from certain questions that, if explored with an open mind, would lead to conclusions that are contrary to the interests of those who define the "truth". A healthy, vibrant, living democracy must encourage independent thinking and analysis. It must continually cooperate to achieve consensus, but must also respect and, in fact, cherish diversity, for diversity is the nutrient of adaptability and adaptability is the key to our survival.

So we must ask ourselves now, before it is too late, why are we eliminating the genetic diversity of our planet at an unprecedented rate? As we harvest our tropical rainforests and thousands of exotic species go extinct, we are losing millions of the most valuable genetic building blocks available to modern science and medicine. Also, why are we eliminating cultural diversity at an equally alarming rate? Western civilizations have destroyed hundreds of human societies, in the last three centuries, without even bothering to examine the alternatives that they offered us. Is it really wise to put all our eggs in one basket? What if the economic and technological miracle we call progress doesn't work? Shouldn't we at least have a sustainable backup plan up and running somewhere?

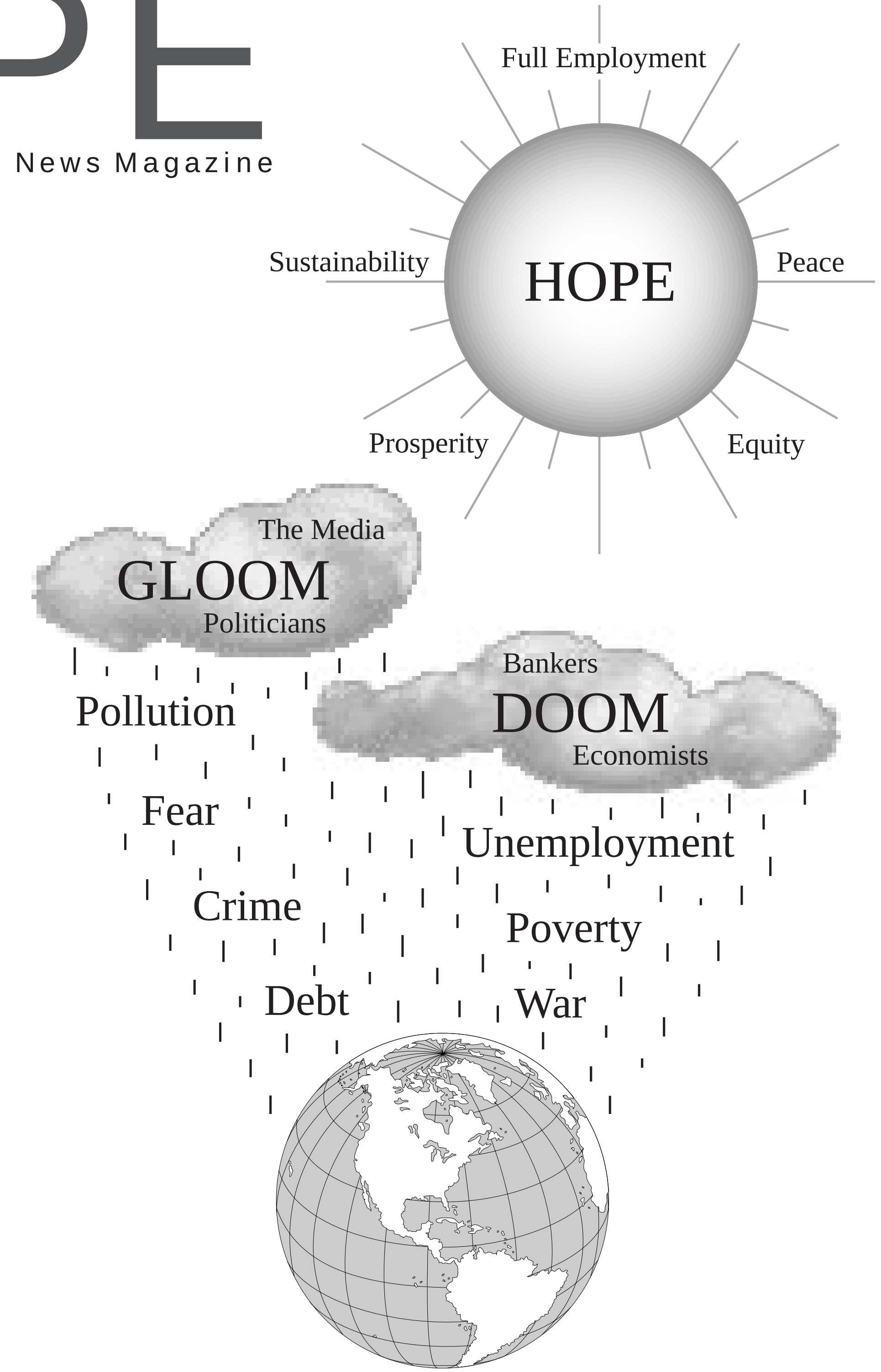
Each and every one of us must stop and ask ourselves what is the real purpose and meaning of our lives. Why are we on this planet? Is it simply to work frantically so that we can consume as much as possible before we die, or is there a deeper, more fulfilling possibility? Do we even have the right to exhaust the planet's resources or should we be behaving more like gardeners of the earth, recognizing that we are merely borrowing this planet, in trust, from all past and future generations? Once we begin to seriously question the emptiness of the work-to-earn-to-consume mentality that propels our modern lifestyle, real change will, at last, become possible.

HOPE

Canada's Good News Magazine

September/October 1995 $2.00

Inside This Issue



It's Time To Blow Away The Clouds!

Why Is There Hope?

First the good news, then the bad news, and then some more good news. The good news is that the economy is still fixable. The real solutions to our problems are actually quite simple. Many knowledgeable economists have tried-and-true alternatives that will get us out of the fiscal mess we are in. The bad news is that the government really isn't interested in fixing things. In fact, our leaders are bent on destroying the power of the government and maybe even the country. The economic policies they are implementing will actually make things worse. The other good news, however, is that once enough Canadians realize what is going on, we will be able to stop them democratically and begin implementing the real solutions that will save us.

HOPE magazine was created specifically to increase the public's awareness and understanding of the real issues and solutions to our country's problems. Using the everyday language of average people, HOPE will guide its readers, through the doom and gloom and political double-talk, to a fresh vision of a sane society which values the potential, and rewards the contributions, of all Canadians equally. HOPE will debunk the myths that the mainstream media and the government spin doctors have a vested interest in perpetuating and will highlight the research and recommendations of hundreds of individuals and organizations that are working tirelessly, in spite of the odds, to make Canada a better place to live. The real solutions to our problems would result in a strong vibrant economy with full employment, no government debt, low taxes, a high standard of living, increased leisure time and a healthy sustainable environment. Such a world is possible, once enough of the public becomes aware of the way to get there.

HOPE is published six times a year by Don Findlay, an independent researcher living in Kingston. Single issues cost $2.00 plus tax. Annual subscriptions are $10.00 plus tax plus postage. HOPE will soon be available on the Internet. Letters to the editor, opinion pieces and local news stories are welcome and should be addressed to:

HOPE Magazine
668 Hillview Road
Kingston, ON
K7M 5C6

One Tax - No Deficit

Imagine for a moment that money is just a utility. Like hydro or gas, it flows through a distribution system to people who are willing and able to pay for the privilege of using it. Taxes meter the flows and pay for the costs of running the system. Like other utilities, there are volume discounts and special incentives available for high-end users.

Most Canadians have no idea how much wealth circulates in the Canadian economy every year. GDP figures only measure the *net* change, or *value-added* component of the economy. In 1993, Canada's GDP was about $723 billion. The *gross* value of all financial transactions, however, was nearly $50 trillion …almost 70 times as much. If each transaction had been taxed at a rate of just 1%, the government would have collected nearly $500 billion. In 1993, the total combined spending of all the levels of government in Canada, including all of the interest on the debt, was only about $330 billion. By applying a 1% *tax on capital flows (TCF)*, involv*ing* a change in the ownership of assets, the government could abolish all other taxes, including income, sales, payroll and property taxes and still have a revenue surplus of over $150 billion. Even if the government's own financial transactions accounted for 30% of the total gross spending in the economy (a more realistic estimate, however, is about 8%), Canada's entire annual operating deficit could be eliminated immediately.

Without income taxes to pay, the disposable income of all Canadians would rise by an amount equal to their current payroll deductions. Their purchasing power would be further increased by the abolition of the PST and GST. The removal of all of the other taxes which are embedded in the price of the goods and services that consumers buy (ie. gasoline, alcohol, cigarettes, etc.) would also increase their relative purchasing power. An increased demand for goods and services would stimulate productive investment and create economic growth. The disappearance of all payroll taxes would encourage job creation.

A TCF would be easy for Canadians to understand. If you spend a dollar you pay a penny in taxes, that's all there is to it. If you earned $30,000 a year and spent every cent of it, the total tax you would pay would be $300. The TCF would be collected at the point of sale by the seller of goods and services or the broker/clearer of financial transactions and would be remitted directly to the government(s) on a monthly basis. Software modifications to existing computer-based clearing and settlement systems would be relatively inexpensive to develop and implement. The government's savings on tax collections, processing and administration, and tax enforcement would be enormous. Displaced staff from Revenue Canada and the provincial revenue ministries could be re-assigned to other ministries that have been hurt by recent spending cutbacks. Individuals and businesses would save substantially on tax preparation and tax avoidance costs. How you earned your income would be irrelevant since no one would pay any income taxes. How you spent your income wouldn't matter either since all transactions would be taxed at the same 1% rate.

By changing the environment of the speculative marketplace, a TCF would reduce the turnover rate of short-term, speculative investments which do little for the economy except push up the cost of capital and raise the price of goods & services. In a more controlled environment, investors would seek stable, longer-term investments with innovative, growing companies. Balancing the budget, at all levels of government, would help restore investor confidence in the overall stability of the Canadian investment marketplace. Some investors, seeking to maximize their profits, may consider transferring their capital outside of Canada to speculate. Applying the TCF to all wealth that is leaving the country would help discourage this response.

Clearly, the finance minister must do more than merely tinker with government expenditures in his next budget. He must simplify the tax system and take financial control of our economy. By metering the daily flow of wealth in Canada, the minister can stimulate productive growth and establish a just and sustainable foundation on which to build Canada's economic future.

A Simple, Inexpensive Way To Improve Democracy

The principle of one-person, one-vote is the cornerstone of democracy, but in Canada's first-past-the-post electoral system, while all votes are counted, only some votes count. Only the citizens who voted for a winning candidate are represented in parliament. In parliament, the importance of the votes of all those Canadians who supported a candidate who failed to win a seat is zero. Under the present system, when a candidate loses an election, the voters who voted for that candidate lose too. In a true democracy there would be no winners and losers. A true democracy would accurately reflect the collective will of all of the people equally. Is it any wonder that so many people are reluctant to vote when the right to vote so often turns out to be little more than the right to be ignored? What kind of democracy would allow a party that is committed to breaking up the country to become the "Official Opposition" when only 13.5% of the voters of that country supported it?.

There is a simple and inexpensive alternative. Without changing a single aspect of the way that elections are currently organized in Canada, the authority of parliament could be made to represent the popular vote *exactly* by simply calculating a PV-factor (popular vote factor) which could then be applied to adjust the relative voting weight of each Member of Parliament. For instance, in the 1993 election, the Liberals won 177 seats, capturing 60% of the authority of the House, despite the fact that they only received 41.3% of the popular vote. The Conservatives, on the other hand, although receiving 16% of the popular vote, obtained just 2 seats and their authority in the House was reduced to just 0.7%. How well does this system deliver democracy? By simply weighting the authority of the votes of the members of parliament, using the PV-factor described herein, all matters before the House could be decided precisely according to the popular will of the people. The table below illustrates how the division of authority in the House (ie. the Party Weight), after the PV-factor is applied, would correspond exactly to the Popular Vote. Although the actual number of seats held by each party in the House would not change, the PV-factor would alter the weight of each party's vote in the House by the same amount as if they did. Under the proposed system, all the strengths of the existing system would be preserved. Each member of parliament would continue to represent the voters of his or her riding in Ottawa and each would remain locally accountable to his constituency.

1993 Federal Election Results

	EXISTING SYSTEM			PROPOSED SYSTEM	
PARTY	Seats Won Number	Percent	Popular Vote	**PV Factor**	Party Weight
Liberals	177	60.0%	41.3%	**0.69**	122
Reform	52	17.6%	18.7%	**1.06**	55
Conservatives	2	0.7%	16.0%	**23.60**	47
Bloc	53	18.0%	13.5%	**0.75**	40
NDP	9	3.1%	6.9%	**2.26**	20
Independent	2	0.7%	0.8%	**1.18**	2
Other	0	0.0%	2.8%	**8.26**	8
TOTAL	295	100%	100%		295

1995 Ontario Election Results

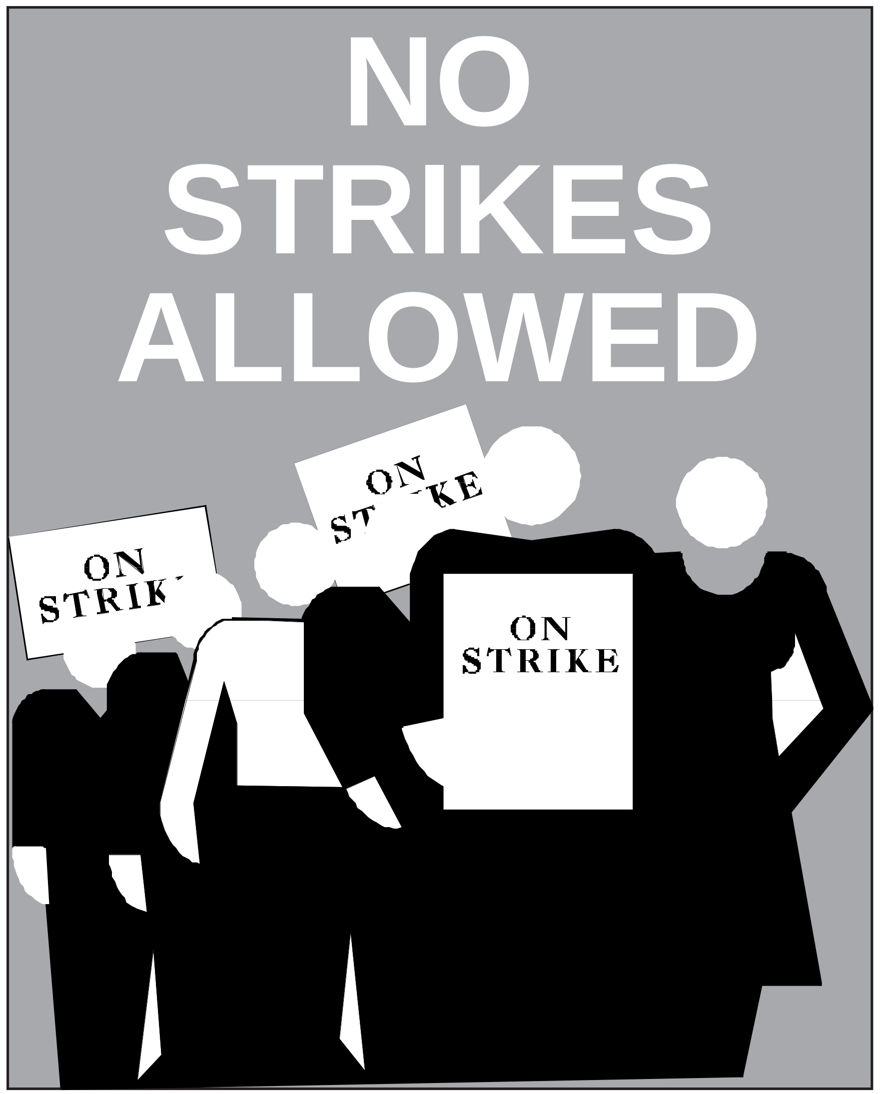
	EXISTING SYSTEM			PROPOSED SYSTEM	
PARTY	Seats Won Number	Percent	Popular Vote *	**PV Factor**	Party Weight
Conservatives	82	63.1%	45.0%	**0.71**	59
Liberals	30	23.1%	31.0%	**1.34**	40
NDP	17	13.1%	21.0%	**1.61**	27
Other	1	0.8%	3.0%	**3.90**	4
TOTAL	130	100%	100%		130

** Figures for Popular Vote are preliminary estimates, cited in the G&M, Andrew Coyne, June 28/95*

The “Menace of Inflation” Myth

Rising prices reduce the purchasing power of each and every dollar in Canada. As fewer goods and services can be bought with each dollar, the relative value of the dollar decreases. Economists refer to this as inflation. In order to maintain a consistent standard of living and “keep up with inflation” you must increase your earnings by an equal measure (ie. if each dollar buys 50% less, then you need to earn twice as many dollars to stay even).

For many years now, the Bank of Canada has been treating inflation as if it were the number one enemy of civilization. In fact, inflation serves many very important and useful roles in our economy. In a truly free, market economy labour (paid workers) and capital (owners and management) have the right and opportunity to regularly negotiate for a bigger relative share of the profits that are generated from their collective endeavors. When labour contracts come up for renewal workers hope to increase their wages, partially to catch up on inflation, partially in anticipation of future inflation and partially to improve their overall standard of living. Owners and management, on the other hand, hope to restrain wage increases, in order to raise profits, for the same three reasons. If labour is successful in obtaining a pay increase then management normally attempts to raise prices in order to maintain profit levels and protect against further inflation. If competition in the marketplace is intense, management may not be able to raise prices enough to recover all of their higher labour costs.



This back and forth negotiation process is the essence of the supply and demand principle of a free market economy. Once it is interrupted by legislation or convention it is impossible to claim that a free market continues to exist. The notion that inflation is a thief that must be stopped attempts to do exactly that. It breaks the law of supply and demand by denying labour’s right to protect their standard of living on the grounds that such a right would lead to inflation. Possibly it would …so what? No more so than management’s attempt to protect their own living standards and certainly no more so than the push that compound interest puts on prices. Yet the Bank of Canada does nothing to discourage exploding profits or compound interest, so why is it so worried about rising labour costs? After all, isn’t it wages that fuel consumption and create domestic demand?

Again we’ve been mislead by the rhetoric of capital into believing that inflation is a menace, for if we accept their arguments the outcome will be in their best interests. Consider this: if we divided the value of everything in the economy, wages, prices, everything, by a factor of ten, where would we end up? A $250,000 home would cost $25,000, a $30,000 automobile would cost $3,000, a $40,000 income would be reduced to $4,000. Presto, in an instant the effects of inflation would disappear and we would be back to the prices of the 1960s. The only real difference is that labour would be making proportionately less money than it did then. So where is the menace of inflation? All I see is a relative shift in prices? The only menace is the notion that we should abandon labour’s rights.

But what about those on fixed incomes? Inflation robs their money of value and causes them to suffer. That’s easy, simply index their incomes to inflation. De-indexing their benefits was just a sneaky move by the government to save money.

But what about our foreign debt? If we devalued our dollar by a factor of ten, we would owe ten times the amount on our debts drawn on foreign currencies. This is true, so we must pay them off first. No sovereign government should ever borrow from abroad, particularly if there is high unemployment and idle productive capacity in the country. Nor should we be buying more goods and services from foreigners than we are selling to them. Of all the countries in the world, Canada has the least need to depend on foreigners. We have a huge geography, ample natural resources, an excellent infrastructure, an educated population and sufficient capital resources to make this the most independent country in the world. But until we dispose of the myths that are preventing us from developing our potential we will continue to be enslaved by our ignorance.

Another Way to Eliminate the Deficit: A National Asset Tax

Imagine for a moment that all taxes, except for one, had been abolished. Income taxes were gone, so was the GST and all provincial sales taxes too. Property taxes, entertainment taxes and all hidden taxes on gasoline and alcohol, eliminated entirely. Under the new tax system, the only remaining tax was a single, low tax on net assets. If you owned your own home, worth say $250,000, but had a mortgage on it of $200,000, then the taxable value of your property would be $50,000. Similarly, if you owned a new automobile, worth say $25,000, but had a bank loan on it of $15,000, then the taxable value of your car would be $10,000. If you owned RRSPs worth $20,000 but had borrowed $10,000 to obtain them, add another $10,000 to your taxable assets. In the example above, your total taxable assets would be $50,000 + $10,000 + $10,000 = $70,000. Under the new system everyone would pay the same 12% tax on their net assets. With net assets of $70,000, your total annual tax bill would be only $8,400. Under the current tax system in Canada, you are almost certainly paying a great deal more …here’s why.

First, to be able to afford a $250,000 house, a new $25,000 car and an RRSP worth $20,000 you would need to be earning at least $70,000 a year. Even if you had an extremely shrewd accountant it is unlikely that you could reduce your income tax alone to just $8,400. More likely you would be stuck paying about twice that amount. But on top of that, you must also now pay property tax on your home, probably equal to about another $3,000 and, as you spend your remaining disposable income, you lose, at least, another 10% of it to the GST & PST. Under the current system you are probably paying almost three times as much, or about $24,000.

If you rented your home, had no retirement savings, drove an older car worth, say $5,000 (after your loan is subtracted), and had no other assets, then your total tax payments would be just $600 a year. That is probably less than you paid in GST alone last year.

Clearly, the majority of Canadians would be better off under an asset-based tax system. Those with the ability to pay more would finally be required to pay their proportional share, but those with less would pay equally too. A deductible amount for retired persons would prevent their basic assets (ie. home, car, etc.) from being eroded by taxation. Otherwise, it would not matter who owned what, all assets would be treated equally under the new tax system.

How can such a simple system work? The main reason the system can work is because it taps into the enormous amount of wealth that is currently under-taxed or not taxed at all under the present system. The idea that capital and investment income should be taxed at a lower rate than labour income is an elitist notion and a privilege that we can no longer afford to extend. The idea that businesses should only be taxed on the basis of their declared profits is simply no longer workable in today’s global marketplace. Profits are a notional construct, a phantom or ghost, that can disappear across national boundaries in a moment's notice. Corporations must be taxed on the basis of their accrued global wealth.

Figures published by Statistics Canada in the National Balance Sheet Accounts, show that, in 1992, the net worth of Canadians (not including the government sector and non-residents) was $2,268.8 billion. A tax of 12% on this figure would amount to $272 billion in government revenue. The total amount collected from individuals and corporations in direct and indirect taxes, withholding taxes and transfers, by all levels of government in Canada, in 1992 was $257 billion. An asset tax of 12% would increase government revenues and lower the deficit by $15 billion. It would also encourage consumption (as savings would be taxed as assets) giving the domestic economy a badly needed boost. This increase in spending would provide businesses with the expansion capital they desire without requiring them to go deeper into debt. Unemployment would be reduced, which in turn would lower the capital requirements of government as social assistance costs fell.

No doubt, Canada’s wealthiest citizens will attempt to discredit this idea which would have them pay an equal share of the tax burden. Surely, they will protest and threaten to pull their wealth out of Canada. However, there is only so much they can take. They can’t move their houses, their factories or their land. Nor can they take their employees who do the real work that generates the wealth that they enjoy. So let us tax them heavily when they leave and say good-bye. Their threats must not hold us hostage any longer.

If you owned a store and came to work one day and saw one of your employees stealing money from your cash register, would you let that person continue stealing, in fear that they might quit, leaving you temporarily unable to operate your store if you intervened? Of course not, for you would realize that if you didn’t intervene your store would go broke and have to close permanently. The same logic must be used to assess the threat of the flight of capital from Canada. If we don’t tell the rich to stop stealing the wealth of our country, then our country, too, will be broke before long.

The Michael Journal Exposes Banker's Secret

The Michael Journal is published six times a year by the Louis Even Institute For Social Justice. Louis Even devoted his life to developing the "science of Social Credit" so that people all over the world might, at last, understand and break free from the tyranny of debt money. Whether you decide to believe in the Social Credit solutions of Louis Even and C. H. Douglas or not, the Michael Journal provides valuable insight into the structural problems that are an integral part of the design of our current debt-money system. While the Michael Journal may push the evil bankers' conspiracy theory a little far at times, it does an excellent job of explaining how interest entitlements *must* periodically pull down the whole financial system for a while, so that the assets of the financial losers can be liquidated. When a society creates nearly all of its money as debt-money (as we do in Canada) and then charges interest to all those who need to use it (which is almost everyone), the system *must* crash every time that the interest charges accumulating in the system approach the value of the wages that are being paid out to the working people (who also, in the end, pay all of the system's taxes). When most of the money in the system is created as debt-money, but no equity money is created to pay the interest that is demanded by the lenders, then the only way borrowers can pay the lenders and still have enough money left over to maintain their standard of living, is to borrow even more money every time that the interest becomes due. This, of course, creates even more interest due the next time and only makes the problem worse.

The Michael Journal also clearly demonstrates the folly in the notion that if we all just increased our productivity that we would be able to work our way out of debt. Producing more while paying workers the same or less (the essence of profit) only aggravates the problem. True it puts more goods into our stores, but there is no way that the workers can afford to buy the extra without going further into debt to do so. If workers wages go up exactly the same amount as the value of the increase in production then, relatively, nothing changes at all and workers remain unable to pay down their debts without creating a surplus in the stores (which would trigger production cuts and more layoffs). Once the debt spiral begins it can only be stopped by either creating sufficient debt-free money to pay off all the interest obligations that are outstanding, or by writing off (destroying) the total debt obligations that are outstanding. In the first instance, the loss is spread throughout society as a whole as each and every dollar is devalued (if reserve requirements aren't adjusted, at the same time, to prevent inflation). In the second instance, the loss is absorbed individually, only by those lenders whose loans are destroyed.

The Michael Journal also conveys quite clearly how socially irresponsible governments have been in transferring their constitutional right to create and control the money supply over to the private banking system. As more and more of our country's resources, both human and natural, and used up in order to pay the interest charges on our debts, the quality of life of most Canadians has to deteriorate as prices rise, wages stagnate and public services disappear. We have only to look to the third world to see where our government policies are taking us.

The solutions that the Social Credit movement suggests are quite simple to understand. First, the government must take back its authority to create all of the money supply (as it was originally instructed to do in the BNA Act). Then, it must create enough money to pay off all of the outstanding debts of all Canadians (or at the very least, all of the debts that we owe to foreigners). In addition, it must create exactly the same amount of money that is needed to purchase all of the goods and services produced each year in Canada. According to the Michael Journal, the government could then abolish taxes and, instead, pay a monthly dividend of $800 to each and every citizen so that all Canadians can share in the collective productivity of the nation.

The Michael Journal is distributed around the globe by dedicated volunteers who are eager to spread the Social Credit vision of a more humane and stable world. A four year subscription to the journal costs $20.00. To learn more about the journal contact its editor, Gilberte Côté-Mercier @ (514) 875-6622 (Montreal), or (514) 469-2209 (Rougemont), or write: "Michael" Journal, 1101 Principale Street, Rougemont, Quebec, J0L 1M0.

Who Wins With High Interest Rates?

Who benefits from high interest rates? Certainly borrowers don't. High interest rates force them to divert more of their earnings to lenders, thereby reducing their purchasing power. When businesses borrow, high interest rates increase their costs which in turn causes them to raise their prices. This causes inflation which further reduces the purchasing power of all consumers and erodes the higher real rate of return that the bump in interest rates was supposed to achieve. When competition in the marketplace prevents companies from raising their prices enough to fully recover the additional cost of high interest rates, then they must either cut costs elsewhere (often by laying off workers) or else watch as their earnings shrink. In either case, high interest rates lead to a loss of confidence in the marketplace.

Well then, certainly the lenders must benefit, don't they? Not always, and never entirely. Lenders lose alot if borrowers can't repay their loans. (Taxpayers lose too, if a government bailout is involved.) All lenders lose when high interest rates push up prices and when taxes rise due to an increase in unemployment. Lenders also lose when high interest rates increase poverty and push up crime rates, property damage, insurance costs, and healthcare expenses. In fact, only a very few lenders (those who derive a high proportion of their total income from credit investments) actually come out ahead when interest rates climb. But even for them, the risk of losing most of their gains from a major debtor's default is much greater when interest rates are high.

Clearly, there are few winners from high interest rates. Even the banks, it would seem, would benefit from lower interest rates. If a bank pays only 2% to borrow money that it then lends at 4% it earns enough on the money that it loans (2%) to cover its entire borrowing cost (a 100% return). If, however, the bank must pay 8% to borrow money that it then lends at 10% its earnings only amount to one quarter of its borrowing cost (a 25% return). Why then do Canadian interest rates remain so high?

The real answer has very little to do with our country's deficit or Quebec's threatened separation and a whole lot to do with the dynamics of compound interest. In her book entitled "Interest and Inflation Free Money", Margrit Kennedy, a professor at the University of Hanover in Germany, explains, in everyday language, how powerful the effects of compound interest can be. One penny invested at the birth of Jesus Christ at 4% interest would have bought, in 1750, one ball of gold equal to the weight of the earth. In 1990, however, it would buy 8,190 balls of gold. At 5% interest it would have bought one ball of gold by the year 1466. By 1990, it would buy 2,200 billion balls of gold equal to the weight of the earth. Her example shows the enormous difference that 1% makes when interest compounds. It also proves that the continual payment of interest and compound interest is arithmetically, as well as practically, impossible. Eventually, nearly all the money in the system must go towards servicing the debt. This kills most of the demand for goods and services, bankruptcies explode and the system crashes, as it did during the Great Depression. Neither the Canadian economy nor the global monetary system has a chance against the cancerous growth of compound interest. If you are interested in learning about some real solutions to our economic crisis then read Margrit Kennedy's fascinating book.

C.O.M.E.R. Wants Changes

The Committee on Monetary and Economic Reform (C.O.M.E.R.) is an economic think-tank that is working hard to inform Canadians about the true causes and solutions to our current economic problems. While many of COMER's senior members may be economists, academics, politicians or corporate and financial industry executives, the principle aim of the organization is to encourage average Canadians to learn about the issues and to participate in the discussions.

COMER's central belief is that there is too much high-interest, debt money being created and loaned into the monetary system and not enough low-interest, or debt-free money, being created. COMER blames the federal government for allowing this situation to develop and suggests that it should instruct the Bank of Canada to create more of the new money that is needed to finance the renewal and expansion of our national and provincial infrastructure (schools, hospitals, roads and bridges, etc). As all of the interest on the money borrowed from the Bank of Canada returns to the taxpayer, such a policy would lower our debt servicing costs (now the single largest expense of the federal government), reduce unemployment and social assistance costs and raise additional tax revenues by stimulating the domestic economy. During the Second World War, the Canadian government implemented this policy in order to finance the war effort. COMER maintains that the positive effects of that low-interest rate spending stimulus lasted for nearly thirty years after the war ended. Such a strategy is needed just as badly now to win the war against unemployment and to save our deteriorating environment. It would certainly be a far more effective way of reducing the deficit, and far less cruel in human terms, than the government's current slash and burn agenda.

COMER is also pressing the government to carry through on its election promise to eliminate the GST. COMER suggests that by applying a tiny tax of just 1/2 of 1% to all financial transactions in Canada, the government could abolish both the hated GST and all provincial sales taxes. Such a measure would stimulate the domestic economy tremendously for it would be like giving every consumer in Canada a substantial raise. In addition, such a move could help deter the financial speculation that recently destabilizied the Mexican economy and nearly triggered a global money market meltdown.

COMER is eager to involve interested citizens from all walks of life in their group. Speaking the every day language of Canadians, COMER demystifies the claims of the "experts" whose opinions dominate the mainstream media. In July, about a dozen COMER members met in the Muskokas at the resort property of Paul Hellyer to discuss economic issues and to develop communication and fundraising strategies. Several new members joined the group there, including Mark Assad, a Liberal MP and Morris Miller, a former executive director of the World Bank.

COMER publishes a monthly newsletter called "Economic Reform" and holds seminars and meetings throughout the year. To get in touch with COMER contact: Prof. John Hotson @ (416) 292-1036 or William Krehm @ (416) 924-3964, or write C.O.M.E.R., c/o Robert Good, R.R.#2, Puslinch, ON, N0B 2J0.