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A necessary addendum to Paul Craig Roberts' Article:
Financial Collapse at Hand
By Scott Baker / 6 June, 2012

Paul Craig Roberts hits it on the head, again, in his article: Collapse At Hand . This is one of the best analysis of the financialized economy I've read in a while.

However, way back in February 15, 2009, I wrote a much shorter article in which I gave the same derivative cancellation solution as PCR:

"... *Getting back to the derivative crisis; to resolve it, and to save the worldwide economy, Obama must assume FDR-like powers, something he has seemed reluctant to do so far, despite his mandate to do so. The first thing he should do is to declare all derivatives placed outside of legally regulated markets (90% of them are unverified contracts) null and void. These "bets"-- worth $180 trillion according the U.S. Office of the Comptroller of the Currency in America alone, and over half a quadrillion dollars worldwide-- could not have been made in traditionally regulated markets, because the players had insufficient collateral, i.e. they flouted the law and their fiscal responsibility.*

Because for every buyer there is a seller, the amounts lost would zero out and no one would gain an advantage. We would just get to reset the clock. This is as fair as things can be made given where we are. Right now, this enormous sum is only good for driving companies into bankruptcy and tying up the courts for years while the "winners" of these bets squabble over the crumbs of the bankrupt companies. This is already happening with creditors fighting over the last crumbs of Lehman Brothers. This is a pointless and destructive squabble and the administration must act to prevent years more of these.

If the parties object to the elimination of their derivative bets, they should be reminded of the penalty for fraud."

As you can see, PCR uses the same logic and solution (though leaving out my prescription for fraud), and almost says the same thing word for word in some places. (You can read the full article here: Saving the Economy Without Spending a Dime).

But that's OK, PCR's article is far more sophisticated and complete than mine - as would be expected from an Assistant Secretary of the Treasury and long time economist.

What's even more interesting is how the size of the derivatives market has continued to grow since I wrote this in early 2009, at the very depths of the last market crash - the market would "turn around" just a month later, thanks to a steady stream of unprecedented bailouts and guarantees begun the previous Fall. One credible analyst said - 2 years ago - that the derivatives market is not **$700 trillion worldwide** - a figure often quoted by the MSM, but not in this article by PCR, who focused on only American exposure, but **1.2 quadrillion** (see here). We can thank the financial industry for making us think in terms of numbers usually reserved for the science of Astronomy. Would that the science of Economics be so sound and accurate! (The science of Economics was hopelessly corrupted beginning in the early

20th century, when the role of Land - in classical economics meaning ALL of nature's resources - was deliberately and completely expunged in neo-classical economics. You can read more about that in Georgist Prof. Mason Gaffney's short book: "The Corruption of Economics." It was no accident the land-grant universities led the way in this).

he other solution, short-term, that PCR does not consider is Greenbacking - taking the Money Creation power back from the banks and restoring it to "We The People" as the constitution's Art. 1, Sec. 8, clause 5, states when giving Congress the power to "coin Money." Coins are produced debt-free, as are stamps for a limited use. U.S. Notes, first produced by the greatest economist-president, Abraham Lincoln, under the nation's first legal tender law, were also debt-free money, and were created in 14 series through 1971. They remain in circulation - some $250 million, far too small an amount to do any good, but, tellingly, as a form of money legally *not allowed to be counted against the debt . That's OK. U.S. Notes should be issued directly by Congress to pay for Public Works projects - the original "Public Works" paid for by U.S. Notes was the Civil War* - $450 million went a lot further back in 1862-1863. This would one-up FDR by paying for the things the country needs, putting people back to work, with debt-free money .

Ironically, our newly prosperous nation could then afford to pay off its debts more easily.

Europe could do this too, by issuing a grant, not a loan, on a needs basis for those countries in the Eurozone in the most desperate shape. Depression, like what Spain, Portugal, and especially Greece, are in, is primarily a deflationary event - caused by a removal of credit-money (from the banks' point of view), or debt-money (as everyone else experiences it). That money needs to be restored, without debt, so people can work and earn. Government needs to step in when the private banking sector has failed. This is what Lincoln did when the NY banks wanted 24-36% interest during the Civil War. This is what we must do again.

Later, we can tax back the surplus that would normally be siphoned off by the elite 1% by taxing valuable locations and natural resources, as Henry George advocated, just before the science of economics - then called "political economy" became corrupted and Land became conflated with Capital - to which it is actually almost a complete opposite. Without a tax on Land, the hoarders of Earth's resources, which, by right, belong to all of us equally, the 1% elites will always extract the world's riches for themselves, eventually.

Still, as a short-term immediate measure, Greenbacking, Lincoln's and later, George's, other Great Idea, would put the Money Power back in the hands of We the People, via a newly empowered and unobligated Congress who could finally tell the banks to "take your money and shove it!" something that was tried by presidents Andrew Jackson (a victim of 2 failed assassination attempts), Lincoln and Kennedy (both successfully assassinated, with banker involvement in both cases, to some degree). The Money Power plays for keeps and for total domination. Their current plan through the European Stabilization Mechanism, is to *completely take over Europe*. The confused and desperate public, cut off from any direct democratic control in the European Union, may allow this as early as next month.

We are running dangerously short of time to right this boat.