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Are Our Governments Making Matters Worse?

More Signs of a Coming Depression

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A View from Europe as the Crisis Goes Global and the Response remains Partial

PARIS, FRANCE, OCTOBER 19: The word CRISE is plastered all over every magazine, newspaper and newsstand in Paris. It is big news and the French public seems to think that its government acted swiftly to stem it. Le Figaro reports a 60 percent approval rate for President Nicolas Sarkozy's strategy of promptly injecting money into banks to make the "crise financiere" go away.

Sarkozy says, "there can be no freedom" without regulation and quickly huddled with George Bush at Camp David to try to coordinate strategies along with the president of the EU. The hapless Bush will now "host" (ie. serve refreshments) at a major Summit, like the one that led to the Bretton Woods agreement setting up the financial system in the aftermath of World War II. (It's not clear why anyone even speaks to W because every time Bush speaks, markets go down). It's also not clear why all the efforts to "stabilize" the economy seem to be making it more volatile.

Out in La Defense, an overdeveloped arrondisment known as the Wall Street of Paris, where the banks and insurance companies are based, I was filming interviews against the background of glass towers with the Arch d Triomphe visible on the far horizon. There, a German businessman assured me that the crisis will be "over by Monday" since his government is busily capitalizing, or is it recapitalizing, its engines of Capitalism. (While the German public makes a run on the bookstore for copies of Karl Marx's Das Kapital).

One young man has no idea what I am taking about when we ask him if he is worried. He says he doesn't really know what's going on, and doubts it will affect him since he has a Debit Card, not a credit card. Another confides the worst that will happen is a "slow down." We don't have subprime loans in Europe I am assured. Yes, maybe, I respond, but your banks invested in these bogus products, made billions and now are writing it all down.

And then I followed my usual practice of interviewing people in "low places" who don't feel the need to hype their companies. A grad student interning at a large bank that was taken over tells me that people who don't follow finance have no clue about what's going on and how serious it is. He adds that the companies and the media are not telling them either.

"This is a much deeper problem," he says, suggesting it will "spill over" and affect everyone. He described the atmosphere of panic and uncertainty in the bank he works for where the new owner has yet to assert control and no one knows how long their jobs will last. He speaks of a climate of greed that led a small number of interconnected executives operating in their own bubble to accumulate millions for themselves with no apparent concern about how it affects others. This is the nature of financialization—rule by the credit and loan complex. The newspaper LIBERATION calculates that 1700 billion have been spent and guaranteed so far in Europe alone.

In a globalized world, despite national differences, customs and regulatory regimes, the same market logic drove decisions, the same greed, and may I add corruption. France is still reeling from the revelation that one young trader made and lost a $7 billion dollar bet with the bank's money. His defense: we all do it, win some and lose some.

The crimes of the financial elite do not stay with the financial elite. What's been a slow motion crisis so far is quickly gathering force like a hurricane building in strength. I made this point recently at a media conference in Gabon in Africa where journalists from the Continent heard my warnings and expressed some of their own fears about the deepening food crisis.

Faxts, a news service in Brisbane, Australia (not America,) picked up a release on my talk.

"Africa is at great risk," he says, noting that the International Monetary Fund has warned of "severe consequences" including famines. It could worsen hunger and certainly delay development projects and millennium goals. African economists note the continent could experience considerable repercussions as lending and investment abilities tighten in the industrialized world.'

The UN's Food and Agricultural Organization (FAO) decried the contrast between the rush to pump billions into western banks with the tepid response to the food crisis in non-western countries.

FAO Director-General Jacques Diouf says, "Borrowing, bank lending, official development aid, foreign direct investment and workers' remittances – all may be compromised by a deepening financial crisis."

There are no precise numbers yet about the impact of the financial crisis on developing countries, said Josef Schmidhuber, senior economist at the FAO's Global Perspectives Unit, but he noted that when industrialized countries face a crisis, fewer people work and fewer remittances are sent to developing countries.

Asia is being hit too, according to the Washington Post: "Investors who helped build the financial boomtowns of developing countries in recent years are now fleeing them, threatening to destabilize burgeoning economies and drag the world into a deep recession."

In America, as banks are bailed out the housing crisis gets worse with l out of 6 homes "underwater" ie., worth less than owners are paying. This prompts NY Times financial columnist Joe Nocera to ask, "Now that the government has "saved" Wall Street — at least for the moment — hasn't the time finally come to save Main Street too?"

Apparently not. In fact, quiet as this is kept, the bailout may be making matters worse, as the Naked Capitalism site explains:

"one of the big motivations behind the latest "let's save the banks" initiative was (first) to get interbank lending going, but a second, important goal was to facilitate mortgage

lending, with the hope that volumes would improve, and even better yet, rates.

Unfortunately, in another example of unintended consequences, the improvement in interbank lending is occurring at a glacial pace, while mortgage rates went in the wrong direction, and quickly to boot.

Layoffs of state workers and cutbacks are already starting. 1000 employees were laid off in Massachusetts last week and emergency medical care is being slashed."

"State budget cuts will hit two of the state's safety-net hospitals particularly hard. Boston Medical Center has been notified it will not be reimbursed $64 million for care delivered to low-income Medicaid patients last fiscal year, and Cambridge Health Alliance will lose out on $40 million it had been expecting…"

No wonder, the authorities fear civil unrest. No wonder there are rumors of plans for martial law. When people discover the damage done to their retirement funds, or when credit cards stop working, there will be hell to pay.

Companies are cutting too. NBC Universal announced a $500 million cutback with other media companies with battered stocks soon to follow suit. Alternative and independent media are barely hanging on.

In a financialized world, where Wall Street gets sick, the world catches the flu and then can't 'contain the contagion." What to do? The political candidates are still skirting the issues. The unions are largely silent, and then what's left of the left has yet to mount a response although plans by many organizations are afoot for another March on Wall Street on October 24th. Because only a relatively few seem to understand the issues, I proposed national teach-ins—but the response was tepid.

So what to do, mon cherie, what to do until the screw turns?

News Dissector Danny Schechter's book Plunder (Cosimo) at online bookstores, warning of the crisis was published just before it began. Comments to dissector@mediachannel.org

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