

“ARE WE OUR BROTHER’S KEEPER?”

This New Sustainable Business page is a departure from traditional debates on sustainable business. However, due to the Depression like atmosphere in today’s economy, we feel that the viability or successes of all businesses are in question. In other words, we feel that the new meaning of sustainable business is whether any business will survive for the near future.

Today, there is a critical shortage of all forms of energy, environmentalists & “old energy” companies are competing against each other, rather than working together to help produce enough energy for our faltering economy. And while Pres. Obama’s Economic Stimulus Package contains provisions for large alternative energy projects, environmentalists are not satisfied. Perhaps this is just “emerging policy,” but we don’t have a whole lot of time to debate this to death. A reasonable and comprehensive Energy Plan needs to be put in place that encompasses ALL forms of energy. The plan should consider which projects are: 1.) Feasible, 2.) Economical, 3) will produce the most energy in as quickly as time possible, and 4.) Have the best long-termed track record for ecological & sustainable results. Our concern relating to Alternative Energy Projects is that to date, no energy alternative is very profitable. Therefore, it would be foolish to be risky with our energy investment dollars.

Everyone’s Top Priority should be to stop the fall of our entire economy.

TARP OR TRAMPOLINE?

[“AND NOW LADIES AND GENTLEMEN, UNDER THE BIG TENT, FRESH FROM WASHINGTON, WE PRESENT FOR YOUR THRILLS & CHILLS, FOR YOUR ADULATION AND UNDULATION, ACROBATS WHO WILL PERFORM DEATH-DEFYING STUNTS NEVER PERFORMED FOR A LIVE AUDIENCE. OUR “TARP” ACT WILL LEAVE YOU CLINGING TO THE EDGE OF YOUR SEATS.”]

It is perhaps ironic that the government’s bailout program is called TARP. Tarp as in tarpaulin or trampoline. The comparison of high wire actors risking their lives 66 feet up and bankers risking huge sums of money appears to defy gravity and logic. While trained acrobats perform their stunts to entertain us, and the trampoline below serves as a safety net in case of a fall; the TARP program arrests the fall of bankers who’ve grossly misstepped, but we’re not entertained by their antics.

With all due respect, for President Obama and former President Bush, here's what they should have done from the beginning.

1) The federal government should have conducted an Audit of all the financial records for all of the troubled banks, investment companies, mortgage companies, and insurance companies so that the true nature, size, and scope of the problem could be determined. Federally appointed and experienced accountants, in performing this thorough inspection of financial records could solidify our perception of the magnitude of the "bad debts," replace speculation and worry with **hard facts**, thereby reducing fear, and build the confidence of the public. In addition, these audits would uncover malfeasance and illegal activities by individuals.

2) Federal Law Enforcement & Treasury Officials should have arrested and confined anyone who directly was in charge or involved with illegal acts. Due to the possibility that hundreds of people would be charged and confined because of their negligence, new prisons might need to be built.

By way of background to Item #2, here's the factual history.

a) The Regulations-

With the backdrop of the Great Depression in 1929, the mood of the country was desperate. In a period of ten weeks, stocks on the New York Stock Exchange had lost 50 percent of their value. Over 5,000 banks went out of business. Unemployment was at 25%. Once elected, President Franklin Roosevelt moved swiftly to stop the downward spiral of the economy. Here is a list of laws that was passed to prevent something like the Great Depression from reoccurring:

- 1) **The Securities Act of 1933- regulates the securities being offered by an investment company. When selling a security to a customer, the investment officer must tell the customer 1) that the security is registered with the SEC, 2) all pertinent facts relating to the security, and the officer must guard against fraud and misrepresentation in the sale of securities.**
- 2) **The Glass Steagall of 1934. The Glass-Steagall Act, officially known as the Banking Act of 1933, mandated the separation of banks according to the types of business they conducted. Investment banks, whose securities-related activities resulted in relatively large**

risks, were to be separate from commercial banks, whose depositors needed greater protection.

- 3) The Securities & Exchange Act of 1934- regulates the exchange of securities, including the regulation of brokers, dealers, and Exchanges, including their daily activities. It appears that the SEC and NASD were established to enforce this law through supervision. A major emphasis of the 1934 Act was to prevent fraud and unfair trading practices in connection with the trading of securities. For example, it is unlawful to use any fraudulent, manipulative, or deceptive device, act, or practice in securities transactions.
- 4) The Banking Act of 1935 did three things. It finalized the creation of deposit insurance and the FDIC, it centralized power in a Board of Governors, and strengthened the Federal Reserve Banking System, by giving them powers to intervene in major banking system failures, to monitor the entire banking system, and propose overall bank system changes.
- 5) The Maloney Act of 1938. This Act amended the 1934 Securities & Exchange Act by designating the NASD as the self-regulating organization (SRO) for both investment companies and the over-the-counter-market.
- 6) NASD Rules of Fair Practice (established originally in about 1939). This handbook, which is constantly updated, spells out the ethical standards require for all registered brokers etc. It is concerned with the day-to-day operations of a securities firm. Its four sections are: Rules of Fair Practice, Code of Procedure, Code of Arbitration, and Uniform Practice Code. With over 1,300 pages in 50 Chapters, this Manuel provides finance officers with detailed rules on how they are to conduct themselves in business.
- 7) Trust Indenture Act of 1939. This Act applies to debt securities such as bonds, debentures, and notes that are offered for public sale. Even though such securities may be registered under the Securities Act, they may not be offered for sale to the public unless a formal agreement between the issuer of bonds and the bondholder, known as the trust indenture, conforms to the standards of this Act.
- 8) The Investment Company Act of 1940- governs open-ended investment companies. According to the Act, mutual funds and the like must have a

board of directors who are vested with a fiduciary responsibility to their shareholders. It stipulated that 40% of the directors must not be employed or directly involved with the operations of the company. The Act further prescribes minimum standards under which companies must operate, and defines the different categories. Each investment company must have minimum net assets of \$100,000. Banks etc could only borrow up to 1/3rd of their net assets.

b) Banking Deregulation--

Since 1980, an inordinately powerful group of money-hungry executive insiders from the once-deeply respected House of Goldman Sachs had served as U.S. Treasury secretaries and in innumerable other administrative capacities¹. This cadre of financial “superdogs” played a major role in deregulation from roughly 1980 to 2005.

Furthermore, the election of Ronald Reagan as President in 1981 ushered in a new era of government. According to one source, President Reagan presided over the most far-reaching changes in U.S. government economic and social policy in half a century. In his 1980 campaign speeches, Reagan presented his social and economic proposals as merely a return to “the free-enterprise principles and the American way of life.”

However, the coalition, which had supported Ronald Reagan the most in his election, included right-wing businessmen who strongly opposed government regulation of private enterprise. Reagan won their support with his assertion that the federal government imposed excessive taxes and had grown too large and cumbersome. Reagan spoke out against what he described as “an overgrown government bureaucracy, expensive social programs, and federal regulatory agencies that interfered in the private lives and business dealings of U.S. citizens.”

The man most responsible for transforming these campaign promises into law was former Merrill Lynch Chief Executive Officer Donald T. Regan. As Chairman of the Board of Merrill-Lynch, he had spent many years trying to find a way around restrictions placed on banks, securities, and insurance firms after the Great Depression. Now, as Secretary of Treasury, he made it clear to

¹ How Deregulation Spawned today’s U.S. financial crisis,” posted Jan14, 2009, at <http://seekingalpha.com/article/114686-how-deregulation-spawned-the-u-s-financial-crisis>

members of the Senate Committee on Banking, Housing, and Urban Affairs, he was dedicated to getting rid of those regulations altogether, particularly the Glass-Steagall Act².

Wealthy congressmen from California, Texas, and Illinois with ties to the banking industry aided in the systematic dismantling of banking & investment regulations by self-interested bankers. But it was the President and the Treasury Secretary who started the process. Together Reagan and Regan began making sweeping changes to “unleash” the financial giants of the day, allowing them to do business unfettered by federal oversight. The lucrative “brokered-accounts” business, in which Merrill and Citicorp were major players, was then unchained. This single event was instrumental in the future collapse of the entire savings and loan industry³.

In 1999, a heavily Republican controlled Congress enacted The Gramm-Leach-Bliley Financial Services Modernization Act. Two strong conservative leaders, Phil Gramm and Jim Leach, sponsored the bill. **The Gramm-Leach Act**, as it was known, repealed most of the laws listed above, with only a few restrictions remaining. Here again, the role of the banking lobby in influencing law makers was the most important factor to the bill’s passage.

In April 2004, deregulation reached its climax with the insane Securities and Exchange Commission Ruling. This decisive move against the regulatory agencies paved the way for the implosion of everything regulation was designed to protect.

[The Current Situation-](#)

In late 2008, Rep. Henry Waxman (D-Los Angeles) opened hearings on the financial crisis, stating “he saw the problem as “a failure of the Bush Administration and the Republican-controlled Congress to oversee the markets”. It was the neglect of elected officials that contributed to “the regulatory mistakes and financial excesses that led to the market breakdowns on Wall Street.”⁴ However, to date, these hearings have not produced any results.

² [The Man Who Sold the World: Ronald Reagan and the Betrayal of Ordinary Americans](#)
By William Kleinknecht, Published by Nation Books, 2009, pp. 104.

³ Two excellent books on the collusion between the Republican Party and the banking industry are: 1) [Big Money Crime: Fraud and Politics in the Savings and Loan Crisis](#), By Kitty Calavita, Henry N. Pontell, Robert Tillman, Published by University of California Press, 1999, 281 pages, and 2) [The Best Way to Rob a Bank is to Own One: How Corporate Executives and Politicians Looted the S&L Industry](#). By William Kurt Black, Published by University of Texas Press, 2005, 329 pages.

⁴ <http://articles.latimes.com/2008/oct/06/business/fi-blame6>

Last week (March 6, 2009), the head of the new Economic Recovery Board, former Fed Chairman Paul Volcker, stated, "There's something wrong with the system," in regards to multi-million dollar bonuses. "What are the incentives, what's going on here?" He cited bankers on Wall Street for receiving multimillion-dollar bonuses who had engineering failed mergers⁵.

Therefore, it is on the basis of knowing the law, knowing the reasons for the earlier banking laws, we emphatically argued that senior banking and investment officials consciously violated the principles and the sound reasoning which undergrid the entire banking system. Ignoring their fiduciary responsibility to the public, they acted recklessly and should be punished.

3) To prevent further failure of the banking system, we propose that 5 large relatively healthy National Banks assume temporary custody of all of the smaller distressed banks. Ideally, two Large East Coast Banks, one Large Midwest Bank, and two Large West Coast Banks would act as a Central Banking Authority for the troubled banks in their Region. We further propose that senior banking officials in conjunction with federal agents, clean up, or straighten up the financial operations of the small distressed banks, in addition to cleaning up their own mess.

4) The Large Central Banks would temporarily be named and assume the role of something like "First District Relief Bank", & work closely with their Regional Federal Reserve Bank.

5) The smaller banks would temporarily be enumerated as follows, "Federal Relief Bank-Branch # 201. " After these smaller banks have cleaned up their mess, they would be allowed to assume their previous name.

6) Mortgage Companies must stop their unfair and unsound practices- (i.e. sub-prime loans, reverse mortgages, uncollateralized loans, Part A adjustable rate mortgages). Mortgage Officials who have engaged in shoddy, negligent, and dishonest loan practices must be punished and barred from doing any more business.

7) Homeowners who lied or misrepresented their loan application information must be punished. Those homeowners, who through no fault on their own, were caught in bad mortgage loans must be allowed to renegotiate their home loan so that an agreement is reached on a plan where they can reasonably make their monthly mortgage payments. It makes more sense to make arrangements so that a house can be paid off, rather than force people into foreclosure and bankruptcy.

⁵ Source: <http://www.bloomberg.com/apps/news?pid=20601103&sid=aiDzZwiQSuiE&refer=us>

- 8) Banking and Investment Company agents, brokers, dealers who engaged in speculative or risky investments must be punished and barred from doing anymore business.
- 9) Contractors, developers, realtors who pressured others into deciding to take on more debt than they could possibly handle, or contractors etc., who engaged in deceptive or illegal behavior must be punished. In light of the many dishonest people, a temporary Federal Foreclosure & Bankruptcy Court System may need to be created.

BAILOUT IS WRONG

Our Government's TARP Plan is an ineffectual strategy for enforcing regulatory laws and rules. The message that people are responsible for their individual actions is not being heard loud and clear. Any message that does emerge from Washington is being muffled by government bureaucrats & their muddled-headed thinking.

A central premise of our current economic thinking is that debt is necessary in today's high tech society. Part of this thinking concerns debt as a means to finance new and future growth & economic activity. But having debt is addictive. So, instead of reasonable amounts of debt to finance meaningful and sound growth and economic activity, current debt finances ill-conceived projects and extravagant purchases. On the corporate level, companies buy more factories and acquire more companies beyond that which is sustainable; individuals buy more stuff than they would ever need.

THE ROOT CAUSES

In addition to the burden of excessive debt, Western societies have moved from industrial based economies, to an "information & services" based economies. Regrettably, the long termed effect of this shift has cast a spell over Western Society; we've deceived ourselves into thinking our economies make things that we own. However, we can neither touch, hold, smell, nor weigh what we produce. This bodes ill-winds for workers who are no longer proud of what they make because they do not have a sense of ownership in what they make. As long as overseas factories etc. satisfy our material needs, we are solely dependent on them for our everyday living. In short, our leaders have been irresponsible in not preserving/maintaining our economic freedom and economic health. Even though we may own computers, software, & high tech gadgets, what good are these when our food and oil comes from other countries? The only thing your computer can tell you is that the "cupboard is bare," but it cannot feed you.

Our nation's leaders must be punished for their fatuitous logic. They have been completely irresponsible by overlooking the fact that we cannot take care of ourselves.

We fear a global crisis is brewing which may bring our entire civilization to its knees. Led by idealists and theoreticians, policies were implemented which defy history and culture. Under a "One-World" view, where everyone is equal (or deserves to be equal) and that everyone loves and respects everyone else, the distinct character and norms of countries have been replaced by some "common," or "average" mind-set. No doubt, the regimen of the European Union chaffs and gnaws on the sensibilities of the French, the Germans, & the British. In their hearts, Americans bristle at the idea of giving up their individual American Character, for an "international" personality. They are not yet ready to resist a "global brainwashing." Although we do not condone shutting our borders and stopping international trade, we think shoppers should be more aware of the actual workers who make the products they are purchasing. Employers should be more aware of the long-termed economic & psychological effects of outsourcing on their American workers.

It is supreme folly to neglect the long and varied pasts of individual nation-states- to envision a "global man," or a global "economic-political system." Yet, that is precisely what irresponsible politicians espouse. The world order that emerged out of World War Two established three guidelines: 1) where the sovereignty of the nation-state was reinforced, 2) the dignity of each citizen was acknowledged, 3) and regional pacts and organizations were created to maintain order. There were boundaries.

Today, there are no boundaries. The world is a mish-mash of competing countries, multi-national corporations, international organizations, tribes, clans, and ethnic groups with very few rules. In the absence of any real world-order, the enforcement of moral, responsible behavior is non-existent. And while we squander away our precious assets, Russia and China continue to gobble up the globe by acquisition or by threat of force. A good example of this has occurred in Eastern Europe. While we have been pre-occupied with ourselves, and lacking a keen sense of foreign policy, we attempted to lump the Balkan States into an expanded NATO, ignoring these distinct former Warsaw Pact countries' issues and concerns. Meanwhile, Russia has built on its past ties to Eastern Europe and finalized security and economic agreements with their former "states." China is aggressively pursuing economic agreements in South America, Africa, and Asia.

We continue in our delusion. We are told that as long as there is "a level playing field," and everyone world-wide pursues the goals of working and hording things; everyone will be happy. Hence, the auto mechanic in Germany, the farmer in South Africa, the doctor in Brazil, and the

software technician in the United States, being fully employed, will arrive in Utopia. All jealousy, greed, history, and cultural differences will have disappeared. In order to buttress this simplistic and naïve view, we make temporary and flimsy “deals” with everyone.

Further, a problem in a distant land is elevated to a “potential world crisis, requiring a mass of “shuttle diplomacy” trips by politicians of every cloth to intervene. Whether it is in Bangladesh, Bogotá, Georgia, or Serbia; the United States is involved. Whatever happened to George Washington’s warning, “At all costs, avoid entangling alliances or relationships?” It would take a diplomatic Houdini to un-entangle ourselves from the twisted and knotted web we become ensnarled.

Our frantic behavior of trying to be everywhere and solve every problem dissipates our energy and focus so that very little of substance is accomplished. Let’s settle down and make some goals that are valuable and attainable.

It is important to remember that the basis of all relationships-including economic relationships is Trust. From that principle, economic agreements and economic systems have risen. The meaning of Trust is that when someone says they are going to do something, you have every reason to believe that they will do what they say. When they break that Trust-punitive sanctions/actions, follow swiftly.

Tragically, the global economic system that was created in Trust, no longer is based on Trust. Greed & trickery drive the machinations of brokers and multi-national corporations. Dr. Alan Shapiro, in “Multinational Financial Management”⁶, alludes to two practices of large corporations, which to us, skirts or come dangerously close to violating the **1977 Foreign & Corrupt Practices Act**. In discussing the topics of Disguising Profitability, Transfer Pricing, and Re invoicing Centers, Shapiro explains how corporations will try to find a country with the weakest regulatory environment for reporting sales and profits. Although the U.S. government has tried to crack down on these practices, they are still widely used by medium and large businesses to avoid transparency and paying taxes etc.

But, the Foreign Exchange Market is the main place for risky investments. So-called professional foreign market specialists (brokers & traders) from Banks and Investment Houses create derivatives, hedge funds, arbitrage, currency swaps, bundled credit packages, currency

⁶ Shapiro, Alan, Chapter 20, “Managing the Multi-National System”, in “Multinational Financial Management”, pg. 586.

options, currency future contracts, and speculative exchange rates based on a hunch or a “gut-feeling.” Needless-to-say, all of these “investments” are very risky. Oftentimes, these “specialists” are gambling with the bank’s money, corporation’s, or other people’s money. According to the **Worldwide Times**, total foreign exchange trading in 1998, was approximately \$360 trillion, amounting to approximately 55 times the total world trade in merchandise exports and commercial services⁷. And the amount of money being gambled away increases daily. To avoid taxes and government regulation, many of these “trades” are recorded by “off-shore financial centers.”

So, these “exotic” financial products, carrying huge amounts of risk, are the daily fare of “financial technicians,” who most often take other people’s money for their own gain. It matters not if a “deal” blows up, the broker or trader is rewarded either way. Sound business practices and accountability have been thrown out the window. In part, these risky investments were created for greedy investors who had too much money. They still wanted more. How else can we explain the mess we are in? How else can a “Bailout” be justified, other than to say the rich, the foolhardy, and the greedy are blameless?

Derivatives, Credit Derivatives, Collateralized and Uncollateralized Loans, Secured & Unsecured Bonds, Credit Swaps, Reverse Credit Swaps, Contra-Hedge Funds- the list of risky investments grows everyday. Perversely, many of these products rely on a downturn in the economy, or a company’s stock losing money. And instead of investing as a way to save money, we “gamble” on a “bet” that some unfortunate event will occur. **Whatever happened to making an honest buck?**

The last straw, which will “break the camel’s back,” is the elimination or erosion of individual rights, responsibilities, and freedoms. When we gave up our responsibility to make real things and when we burdened ourselves with too much debt, we also gave up a chunk of personal responsibility for our well-being. Slowly, our rights and responsibilities have shrunk, as we allow the government and multi-national corporations to do things for us. It has been said, “In this country every man or woman has the right to succeed or fail on his or her own.” However, in our rush to “express our individuality” in an abundance of stuff, we stop caring about how we get stuff. Our morals and our morale suffer. How else to explain why we demand lower taxes, free credit, and grab every freebie and cheap gizmo that comes down the pike, but are apathetic to what’s going on around us?

⁷ Source Link is: <http://www.worldwidetimes.com/overview.htm>

It will be painful but we must reclaim our rights and responsibilities. We must take responsibility for our debt, individually and collectively. Living in debt is like living in the Promised Land, only it is not real. We must take ownership of what we do at work and in our community. We must hold accountable those who act irresponsibly. **We must stop the encroachment of government into the lives of the common man, and bear down with the force of law against the wealthy.** Unchecked the usurpation of our rights and responsibilities will render us as helpless toads. The super-rich, the powerful, and the elite do not run this country. We do!

And yes, taking responsibility is tough sometimes, but it is necessary.

For not to far into the distant future, when multi-national financial institutions dominate the global landscape, when the government is the caretaker for our homes, cars, and businesses, we will no longer be “citizens” of a particular country, but we will have been “re-labeled” as ‘international spending units,” with no freedoms. Medication will complete the process.

In conclusion, it is high time to say “no” to exotic investments, it is time to say ‘no” to the TARP Plan as it has been designed; it is time to stop “living on borrowed time.” It is time to say, jail time to those who continue to act irresponsibly!