

## Four Horsemen - Chickens Home to Roost

**Noam Chomsky (video clip)** Human beings are complex creatures. I mean, for example, we're capable right now at this minute, of acting in such a way as to make it likely, if not certain, that our grandchildren are going to face terrible disasters and we are consciously acting to accelerate that likelihood, even though we all love our grandchildren. How can you be more contradictory than that?

**Ross** Welcome to Renegade Inc. The team who bring you this program every week also produced Four Horsemen, a documentary that went in search of the real causes of the 2008 financial crash. The film pointed out that if fundamental economic issues weren't addressed, another economic depression would be all but inevitable.

**Four Horsemen (video clip)** Central banking, wrecked capitalism, land speculation, income tax and neoclassical economics have corporatized democracy, stunted progress, perverted the course of human destiny and compromised the future of this planet. If these issues aren't addressed, then the next implosion will be on a scale unimagined.

**Ross** So here we are. We have squandered time and money by kicking the can down the road and reflating the greatest asset bubble in human history. After 2008, quantitative easing was meant to be a temporary measure, but today we have QE to infinity. We also have less and less regulation to prevent the vampiric financial sector from sucking the lifeblood out of the real economy.

**Joseph Stiglitz (video clip)** It's not an accident, for instance, that we had the deregulation of a financial industry that was such a disaster. The lobbyist of the finance industry amount to five per congressperson. In New York they pay five people for every congressman to explain to them, persuade them, that they should pass legislation that is favorable to financial industry. The poor people who are devastated don't have the money. They couldn't hire five per congressman. So the way our democracy works, it's an unlevel playing field.

**Simon Johnson (video clip)** The financial sector has acquired enormous power, partly through political contributions, so buying favours, but mostly through ideological control - convincing people that finance is good, more finance is better and unregulated finance without limit is best. And that is really the cornerstone of this, what we call in the United States, the Wall Street Washington corridor.

**James Turk (video clip)** I mean, if people need any proof as to who's controlling Washington, when the bailout came after Lehman Brothers collapsed, 80 percent of the population was against the bailout. Notwithstanding that, the Congress passed the bailout, just showing, in my view anyway, that it's really under the control of banking interests.

**Joseph Stiglitz (video clip)** It's not a reflection of good democracy when a company, a group of companies, an industry, says our interests are more important

than the national interest. How can that happen? Very easy. Thanks to the role of campaign contributions, lobbying in America's political structure, we have a flawed democracy.

**Simon Johnson (video clip)** There's an advanced oligarchy in the sense that its main mechanism of control, if you like, is through convincing people that you really need, for example, the six biggest banks in the United States in the particular form they exist today with the very light level of regulation. And if you don't have them. If you try to change that, all kinds of awful things will happen. And this is not really blackmail. It sounds like blackmail but they convince you it's not blackmail it's just that's the way the world is. There's nothing you can do about it. Oh, my goodness, you just have to co-operate with them. It's very clever.

**Michael Hudson (video clip)** The Fed is essentially the lobbyist for the commercial banking system. When you say you want to turn regulation over to the Fed, you're saying the financial sector and Wall Street should be self regulated and that Wall Street has veto power over whoever is going to be the head of the Federal Reserve. As long as you give veto power over the regulators to Wall Street, as long as you pick the bank regulators from the banking industry itself, you can forget any thought of calling it regulation. It's deregulation. And to call it regulation instead of deregulation is using Orwellian double think.

**Ross** So governments have been truly captured by finance, which is a problem because governments should be protecting people and the real economy from predatory finance. If 2008 was a dress rehearsal for the 2020 depression, we will once again see the banking sector shift all the risk and losses from their balance sheets to governments and taxpayers because, well, that's their business model.

**Simon Johnson (video clip)** As a civilization we've obviously had a great run. We've done very well. We had the industrial revolution. We survived that. We built a lot of modern military technology. We've survived that so far. We've built a banking system and we're still struggling with that part of it. But, you know, we've had a good run.

**Max Keiser (video clip)** It's kind of like when I was working on Wall Street for seven years, I had the experience some people would have, let's say, working at a meat processing plant - they become vegetarian. And you work on Wall Street and you see how these banks like JP Morgan and other banks make money, when you see money, it kind of makes you sick.

**Tarek El Diwany (video clip)** Well, I think if the people knew what the banking system is up to. As Henry Ford said, there would be a revolution tomorrow morning. The fact is, most people think that what a bank does is lend you money that someone else has put in the bank previously. But what a bank actually does, what a commercial bank does, is to create money from nothing and then lend it to you at interest. If I do that, if I manufacture money in my own home, it's called counterfeiting. If an accountant creates money out of nothing in the company accounts, it's called cooking the books. But if a bank does it, it's perfectly legal. And

so long as you allow fraud to be legalised, then all kinds of problems are going to pop up in the economic system that you can't do anything about.

**Herman Daly (video clip)** Private banks create money out of nothing and lend it at interest. Now, that sounds absurd. When I teach sophomores, you know about money and banking and how banking works, they never believe it. And so you have to go through it again and again. Yes, banks really do create money. They really do. Here's how it happens. And it's absurd. And they're right to doubt that that could possibly be what's really going on.

**Ross** A government captured by finance can't serve its citizens. The explosion of private debt since Margaret Thatcher's deregulation of finance in 1986 inflated real estate prices, which has led to massive inequality.

**Simon Johnson (video clip)** The Reagan revolution that occurred in the United States, obviously the Reagan-Thatcher revolution to think about it more globally, was a big change in power structure and a big transfer of opportunity and wealth. It's not that the poor gave it to the rich. It was a transfer within the well-to-do. So that the financial sector in particular in the United States, for example, but also in the U.K. and some other places, became vastly more profitable. And set wages in that sector went up a lot - we focus on bonuses but big salaries went up (overall compensation). So there's a transfer from the non-financial part of the economy to the financial part of the economy that actually is unprecedented as far as we can see in any of the available data to us. And I'm talking about all of recorded human history.

**Four Horsemen (video clip)** In 1932, in the aftermath of America's great stock market crash, a piece of legislation was passed to protect society. The Glass-Steagall Act was introduced to separate ordinary high street banking from investment banking. Sixty seven years later, in 1999, under the influence of Treasury Secretary Larry Summers and his predecessor, Robert Rubin, President Bill Clinton repealed the Glass-Steagall Act. Once again, banks could take ordinary depositors money and speculate with it on virtually anything they liked.

**Simon Johnson (video clip)** Wall Street has become a very particular type of casino, and it's unfortunately not the kind of casino they have in Las Vegas, which is, you know, a perfectly legitimate form of entertainment. It is a casino that has massive negative repercussions on the rest of society.

**Hugo Salinas Price (video clip)** You have to bail us out. We need money. If you don't give us the money, the whole thing goes down. And what are you going to do with millions and tens of millions of people who have lost everything in their bank account? You will have a revolution on your hands. So fork over the money. Borrow the money created out of nothing and give it to us so that we can face our problems and not go under or otherwise. And this is what Mr. Hank Paulson did in the U.S. Congress. He went their one day, and he told them, look, we need \$700 billion and we need it now or else.

**Four Horsemen (video clip)** Is this system we call capitalism, really capitalism? In a capitalist system, government is supposed to be small, but today the state is more bloated and invasive than it's ever been. Individuals and companies are supposed to operate in a free market. Good enterprise is rewarded with profit and flawed enterprise with failure. But during the 2008 banking crisis, the people saw the Western economic system divided in a way they were told could never happen.

**Max Keiser (video clip)** Socialism for the rich, capitalism for the poor. And in America, for example, the banks that got in trouble got bailed out by the government. That's socialism. And the people are arguing against socialism in America yet this is probably the most socialist country in the world right now.

**Ha-Joon Chang (video clip)** We have a system which isn't even a proper capitalist system. Rich people make mistakes and they don't get punished. Poor people make mistakes and they get punished or even worse, that they don't make any mistakes and they are forced to pay for the mistakes of the rich.

**Four Horsemen (video clip)** When the taxpayer is footing the bill for the misplaced speculation of bankers, then suddenly, instead of the economy serving the human being, the human being is now in perpetual service to amoral financial organizations. It was the head of the Federal Reserve Bank, Alan Greenspan, who after 9/11 slashed interest rates to encourage lending. Bankers needed new participants to keep cash flowing into a system that had become a global pyramid scheme. All this newly created money entered the housing market and created unprecedented inflation. House prices rose and rose. New mothers were forced back into the workplace to service huge home loans and the Anglo American Dream became all about land speculation.

**Ross** So-called elites and bankers were very keen to promote the dream of a property owning democracy. For a time this created a wealth effect, but also a massive property bubble. 'House prices can only ever go up' became an unquestioned mantra. Yet instead of the mainstream media questioning this absurd idea, it actively promoted this mania.

**Gillian Tett (video clip)** Most societies have an elite and an elite try to stay in power. And the way they stay in power is not merely by controlling the means of production to be Marxist i.e. controlling the money, but by controlling the cognitive map, the way we think. And what really matters in that respect, is not so much what is actually said in public, but is what is left undebated, unsaid.

**Michael Hudson (video clip)** Well, the apathy is sort of engineered because you don't have any discussion of this in the public media. Hardly by surprise, the public media are owned by the real estate and the financial interests and they're not going to explain to people the integration between the financial, insurance and real estate sectors, the FIRE sector.

**Tarek El Diwany (video clip)** There's this disinformation going on - passing the buck, denying what the real driving factors are. All of these are common strategies.

In fact, even in education, you can see that banks have helped to set up universities that funded them. They fund think tanks. They have educational foundations. They own newspapers. All of this stuff is going on as a kind of propaganda exercise so that the people don't actually work out what the problem is.

**Ross** Welcome back to Renegade Inc. Back in 2012 we released a documentary called Four Horsemen. In it, we illustrated how empires end. And, contrary to popular belief, it is not with barbarians at the gate. Overstretched empires are actually devoured from within.

**Lawrence Wilkerson (videoclip)** The end of World War Two, we had 50 percent of the world's gross domestic product. We were making 54000 aeroplanes a year, 7000 ships, etc. etc. We were the new Rome and we recognised it and devised a power management scheme in the 1947 National Security Act to, we thought, manage it. And it worked fairly well during the Cold War. Well, we haven't done anything since, and I think that's another sign of our inability to grasp the new world, if you will.

**Four Horsemen (video clip)** Empires do not begin or end on a certain date, but they do end. And the West has not yet come to terms with its fading supremacy. At the end of every empire, under the guise of renewal, tribes, armies and organizations appear and devour the heritage of the former superpower, often from within. In his essay, The Fate of Empires, the soldier, diplomat and traveler, Lieutenant General Sir John Glub analysed the lifecycle of empires. He found remarkable similarities between them all. An empire lasts about 250 years or ten generations, from the early pioneers to the final conspicuous consumers who become a burden on the state. Six ages defined the lifespan of an empire. The age of pioneers. The age of conquests. The age of commerce. The age of affluence. The age of intellect, ending with bread and circuses in the age of decadence. There are common features to every age of decadence - an undisciplined, overextended military, the conspicuous display of wealth, a massive disparity between rich and poor, a desire to live off a bloated state and an obsession with sex. But perhaps the most notorious trait of all is the debasement of the currency. The United States and Great Britain both began on a gold or silver standard long since abandoned. Rome was no different.

**David Morgan (video clip)** So it started on a principle that was very sound and it was on a silver standard. But as it corrupted further and further and further, the Roman denarius got to the point where it was basically a copper coin and they learned how to plate. And it was washed in silver and in circulation the plating came off. And at the end, all the senators that really did at one time represent the people only were interested in representing how much wealth they could steal at the top.

**Four Horsemen (video clip)** Great empire wealth always dazzles. But beneath the surface, the unbridled desire for money, power and material possessions means that duty and public service are replaced by leaders and citizens who scramble for the spoils.

**John Perkins (video clip)** The people of Rome were constantly being distracted by gladiatorial events. And then the politicians knew that if they did this, whenever there

was unrest among the people, they would have a huge event going on and they created a new event with lots and lots of gladiators every day. We're doing that. That is a common trait of declining empires. And so today in the United States, for example, you find a tremendous emphasis on all kinds of television programs that distract people from what's really going on.

**Four Horsemen (video clip)** Just as our sports stars today earn vast sums, so did Roman charioteers. In the second century, one by the name of Gaius Appuleius diocles amassed a fortune of 35 million sesterces in prize money, equivalent to several billion dollars today. Strangely, perhaps, there's another profession that is disproportionately hallowed as an empire declines. The Romans, the Ottomans and the Spanish all made celebrities of their chefs.

**David Morgan (video clip)** And this again is typifying the end of an empire where things were so great we have this last gasp of momentum that we used to be great and we felt great. We don't feel it anymore. So everyone is out searching for it. Well, maybe it's in the best food or the best clothes or the best music or the best movies or a reality TV show or another magazine. But you can never get enough of what you don't need. What you need is a strong moral conviction that is pervasive throughout the society and integrity reigns.

**Ross** Today, we don't have to look very far to find examples of the abandonment of public service or for organizations who are using ever more egregious ways to steal the spoils. But more pernicious than this theft is the inequality that bankers drive by creating money out of thin air.

**Four Horsemen (video clip)** Since 1971, when President Nixon took the United States off what was left of the gold standard, the world has operated under a system of money known as Fiat. The dollar, the pound, the euro are all government fiat currencies. Fiat is a Latin word, meaning let it be so. It is the law that this government currency be money. Indeed, without that legal enforcement and the fact that we must pay taxes with this money, that dollar bill or that computer digit that represents a dollar, would be pretty much meaningless. Only the government has the power to issue fiat money, but banks can create it through lending. Over the last 40 years, since this system of fiat money became the global norm, the supply of money has grown exponentially. In fact, we've seen the greatest growth in the supply of money in history. But who benefits? - of course, those that have the power to issue money, governments and banks, then those companies and individuals that get this money early. They can spend it before the prices of the things they want to buy have risen to reflect the new money in circulation. In other words, they get services, products or assets cheap, but prices soon rise. So holders of assets such as houses or shares will then see gains without their necessarily being any improvements to the company or house in question. Often this can lead to speculative bubbles. But what about those at the bottom of the pyramid, those on fixed wages or incomes, those who live in remote areas or those with savings? By the time this newly created money has filtered down to them, the prices of the things they want to buy have increased. their savings buy them less, however, and their wages remain largely unchanged. In some cases they have to take on debt just to be

able to afford the things they were previously able to buy, which means they have to go back to the banks. In reality, this process of creating money only redistributes wealth from the bottom to the top of the pyramid. And thus, that ever increasing gulf between rich and poor gets bigger and bigger and bigger.

**Ross** It is not just fiat money and fractional reserve banking that drive huge inequality. Land speculation and executive pay create unequal societies, especially when obscene management salaries are so disconnected from the other workers in the organisation.

**Four Horsemen (video clip)** It was the Greek philosopher Plato who said the ratio of earnings between highest and lowest paid employee in any organisation should be no more than six to one. In 1923, Banker JP Morgan declared no more than 20 to 1 was optimum. Yet today, salary difference between top and bottom earners in global corporations can be higher than 500 or a thousand to one.

**Herman Daly (video clip)** When you're up in the range of five hundred to one inequality, the rich and the poor become almost different species, no longer members of the same community. Commonality of interest is lost, and so it's difficult to form community and to have good friendly relationships across class differences that are that large.

**Four Horsemen (video clip)** When the public do vent their outrage at inappropriate earnings, the common defence is to move the debate to the psychological realm and quote mercurial British economist Herbert Spencer. He coined the phrase survival of the fittest and his words are now used to justify excess. Competition in business is a good thing, but the playing field must be level. Monopolists have too much because the system they game is rigged. Under the current economic setup, the fitness of the vast majority of the world's population is irrelevant.

**Noam Chomsky (video clip)** Well, the idea that people who work in a plant or at a home is just deeply built into working class culture. So right around here at the early industrial revolution in the late 19th century, working people simply took for granted that yes, of course, the workers should own the mills in which they worked. Anything else is an attack on our fundamental rights as free citizens. They also took for granted that wage labour is hardly different from slavery. It's different only because it's temporary then you can be free. One of the ways to be free is by owning your own plants. That was not an exotic view. That was Abraham Lincoln's view. In fact, it was a principle of the Republican Party in the late 19th century. It's taken a lot of effort to drive those ideas out of people's heads, but they're still there and they're very relevant.

**Ross** It's impossible for an economy to recover or properly function when trickle up economics siphons money out of the real economy to stagnate in the bank accounts of the 1 percent. This means that the 99 percent have to rely on more and more private debt just to survive. So a cornerstone solution to the interrelated problems that we've flagged in this program, is to first address stagnant wages and private debt.

**Michael Hudson (video clip)** The classic example, most recently of a debt cancellation, was the German economic miracle in 1947. The allies cancelled all domestic and international German debts except for the debts that employers owed their employees for the previous few weeks and except for a basic working balance that everybody was able to keep in the bank in order to buy food for the next few weeks or so. Essentially, you would follow the five or six pages that the currency reform of 1947 did in Germany. You would start with a clean slate. That means that everybody would own their property free and clear. And the problem here is that you'd wipe off the savings that are the counter parts of that. That actually would not be such a bad thing if you look at the fact that the wealthiest 1 percent of Americans have concentrated an enormous amount of wealth in their own hands more than at any earlier time since statistics have been kept.

**Four Horsemen (video clip)** Whatever the propaganda, at the beginning of the 21st century, central banks' unregulated, cheap money, pumped up land values which created an unsustainable asset bubble in a world that once again operates a rigged tax system that enriches entrenched privilege. Neoclassical economics have ruined life for the bottom billions, tempted everyone into inter-generational conflict and created massive suffering that has no limits. Human beings go mad in crowds and come to their senses slowly and individually. History is littered with examples of people who threw themselves off the yoke of oppression to adopt radical change, only to end up with popular new rulers that maintain the status quo. To really understand something is to be liberated from it. Dedicating oneself to a great cause, taking responsibility and gaining self-knowledge is the essence of being human. A predatory capitalist's truest enemy and humanity's greatest ally is the self-educated individual who has read, understood, delays their gratification and walks around with their eyes wide open.