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The following text is the Preface of The Global Economic Crisis. The Great Depression of the XXI Century , Michel Chossudovsky and Andrew Gavin Marshall (Editors), Montreal, Global Research, 2010, which is to be launched in late May.

Despite the diversity of viewpoints and perspectives presented within this volume, all of the contributors ultimately come to the same conclusion: humanity is at the crossroads of the most serious economic and social crisis in modern history.

The Global Economic Crisis, The Great Depression of the XXI Century

PREFACE

In all major regions of the world, the economic recession is deep-seated, resulting in mass unemployment, the collapse of state social programs and the impoverishment of millions of people. The economic crisis is accompanied by a worldwide process of militarization, a "war without borders" led by the United States of America and its NATO allies. The conduct of the Pentagon's "long war" is intimately related to the restructuring of the global economy.

We are not dealing with a narrowly defined economic crisis or recession. The global financial architecture sustains strategic and national security objectives. In turn, the U.S.-NATO military agenda serves to endorse a powerful business elite which relentlessly overshadows and undermines the functions of civilian government.

This book takes the reader through the corridors of the Federal Reserve and the Council on Foreign Relations, behind closed doors at the Bank for International Settlements, into the plush corporate boardrooms on Wall Street where far-reaching financial transactions are routinely undertaken from computer terminals linked up to major stock markets, at the touch of a mouse button.

Each of the authors in this collection digs beneath the gilded surface to reveal a complex web of deceit and media distortion which serves to conceal the workings of the global economic system and its devastating impacts on people's lives. Our analysis focuses on the role of powerful economic and political actors in an environment wrought by corruption, financial manipulation and fraud.

Despite the diversity of viewpoints and perspectives presented within this volume, all of the contributors ultimately come to the same conclusion: humanity is at the crossroads of the most serious economic and social crisis in modern history.

The meltdown of financial markets in 2008-2009 was the result of institutionalized fraud and financial manipulation. The "bank bailouts" were implemented on the instructions of Wall Street, leading to the largest transfer of money wealth in recorded history, while simultaneously creating an insurmountable public debt.

With the worldwide deterioration of living standards and plummeting consumer spending, the entire structure of international commodity trade is potentially in jeopardy. The payments system of money transactions is in disarray. Following the collapse of employment, the payment of wages is disrupted, which in turn triggers a downfall in expenditures on necessary consumer goods and services. This dramatic plunge in purchasing power backfires on the productive system, resulting in a string of layoffs, plant closures and bankruptcies. Exacerbated by the freeze on credit, the decline in consumer demand contributes to the demobilization of human and material resources.

This process of economic decline is cumulative. All categories of the labor force are affected. Payments of wages are no longer implemented, credit is disrupted and capital investments are at a standstill. Meanwhile, in Western countries, the "social safety net" inherited from the welfare state, which protects the unemployed during an economic downturn, is also in jeopardy.

The Myth of Economic Recovery

The existence of a "Great Depression" on the scale of the 1930s, while often acknowledged, is

overshadowed by an unbending consensus: "The economy is on the road to recovery".

While there is talk of an economic renewal, Wall Street commentators have persistently and intentionally overlooked the fact that the financial meltdown is not simply composed of one bubble – the housing real estate bubble – which has already burst. In fact, the crisis has many bubbles, all of which dwarf the housing bubble burst of 2008.

Although there is no fundamental disagreement among mainstream analysts on the occurrence of an economic recovery, there is heated debate as to when it will occur, whether in the next quarter, or in the third quarter of next year, etc. Already in early 2010, the "recovery" of the U.S. economy had been predicted and confirmed through a carefully worded barrage of media disinformation. Meanwhile, the social plight of increased unemployment in America has been scrupulously camouflaged. Economists view bankruptcy as a microeconomic phenomenon.

The media reports on bankruptcies, while revealing local-level realities affecting one or more factories, fail to provide an overall picture of what is happening at the national and international levels. When all these simultaneous plant closures in towns and cities across the land are added together, a very different picture emerges: entire sectors of a national economy are closing down.

Public opinion continues to be misled as to the causes and consequences of the economic crisis, not to mention the policy solutions. People are led to believe that the economy has a logic of its own which depends on the free interplay of market forces, and that powerful financial actors, who pull the strings in the corporate boardrooms, could not, under any circumstances, have willfully influenced the course of economic events.

The relentless and fraudulent appropriation of wealth is upheld as an integral part of "the American dream", as a means to spreading the benefits of economic growth. As conveyed by Michael Hudson, the myth becomes entrenched that "without wealth at the top, there would be nothing to trickle down." Such flawed logic of the business cycle overshadows an understanding of the structural and historical origins of the global economic crisis.

Financial Fraud

Media disinformation largely serves the interests of a handful of global banks and institutional speculators which use their command over financial and commodity markets to amass vast amounts of money wealth. The corridors of the state are controlled by the corporate establishment including the speculators. Meanwhile, the "bank bailouts", presented to the public as a requisite for economic recovery, have facilitated and legitimized a further process of appropriation of wealth.

Vast amounts of money wealth are acquired through market manipulation. Often referred to as "deregulation", the financial apparatus has developed sophisticated instruments of outright manipulation and deceit. With inside information and foreknowledge, major financial actors, using the instruments of speculative trade, have the ability to fiddle and rig market movements to their advantage, precipitate the collapse of a competitor and wreck havoc in the economies of developing countries. These tools of manipulation have become an integral part of the financial architecture; they are embedded in the system.

The Failure of Mainstream Economics

The economics profession, particularly in the universities, rarely addresses the actual "real world" functioning of markets. Theoretical constructs centered on mathematical models serve to represent an abstract, fictional world in which individuals are equal. There is no theoretical distinction between workers, consumers or corporations, all of which are referred to as "individual traders". No single individual has the power or ability to influence the market, nor can there be any conflict between workers and capitalists within this abstract world.

By failing to examine the interplay of powerful economic actors in the "real life" economy, the processes of market rigging, financial manipulation and fraud are overlooked. The concentration and centralization of economic decision-making, the role of the financial elites, the economic thinks tanks, the corporate boardrooms: none of these issues are examined in the universities' economics programs. The theoretical construct is dysfunctional; it cannot be used to provide an understanding of the economic crisis.

Economic science is an ideological construct which serves to camouflage and justify the New World Order. A set of dogmatic postulates serves to uphold free market capitalism by denying the existence of social inequality and the profit-driven nature of the system is denied. The role of

powerful economic actors and how these actors are able to influence the workings of financial and commodity markets is not a matter of concern for the discipline's theoreticians. The powers of market manipulation which serve to appropriate vast amounts of money wealth are rarely addressed. And when they are acknowledged, they are considered to belong to the realm of sociology or political science.

This means that the policy and institutional framework behind this global economic system, which has been shaped in the course of the last thirty years, is rarely analyzed by mainstream economists. It follows that economics as a discipline, with some exceptions, has not provided the analysis required to comprehend the economic crisis. In fact, its main free market postulates deny the existence of a crisis. The focus of neoclassical economics is on equilibrium, disequilibrium and "market correction" or "adjustment" through the market mechanism, as a means to putting the economy back "onto the path of self-sustained growth".

Poverty and Social Inequality

The global political economy is a system that enriches the very few at the expense of the vast majority. The global economic crisis has contributed to widening social inequalities both within and between countries. Under global capitalism, mounting poverty is not the result of a scarcity or a lack of human and material resources. Quite the opposite holds true: the economic depression is marked by a process of disengagement of human resources and physical capital. People's lives are destroyed. The economic crisis is deep-seated.

The structures of social inequality have, quite deliberately, been reinforced, leading not only to a generalized process of impoverishment but also to the demise of the middle and upper middle income groups.

Middle class consumerism, on which this unruly model of capitalist development is based, is also threatened. Bankruptcies have hit several of the most vibrant sectors of the consumer economy. The middle classes in the West have, for several decades, been subjected to the erosion of their material wealth. While the middle class exists in theory, it is a class built and sustained by household debt.

The wealthy rather than the middle class are rapidly becoming the consuming class, leading to

the relentless growth of the luxury goods economy. Moreover, with the drying up of the middle class markets for manufactured goods, a central and decisive shift in the structure of economic growth has occurred. With the demise of the civilian economy, the development of America's war economy, supported by a whopping near-trillion dollar defense budget, has reached new heights. As stock markets tumble and the recession unfolds, the advanced weapons industries, the military and national security contractors and the up-and-coming mercenary companies (among others) have experienced a thriving and booming growth of their various activities.

War and the Economic Crisis

War is inextricably linked to the impoverishment of people at home and around the world. Militarization and the economic crisis are intimately related. The provision of essential goods and services to meet basic human needs has been replaced by a profit-driven "killing machine" in support of America's "Global War on Terror". The poor are made to fight the poor. Yet war enriches the upper class, which controls industry, the military, oil and banking. In a war economy, death is good for business, poverty is good for society, and power is good for politics. Western nations, particularly the United States, spend hundreds of billions of dollars a year to murder innocent people in far-away impoverished nations, while the people at home suffer the disparities of poverty, class, gender and racial divides.

An outright "economic war" resulting in unemployment, poverty and disease is carried out through the free market. People's lives are in a freefall and their purchasing power is destroyed. In a very real sense, the last twenty years of global "free market" economy have resulted, through poverty and social destitution, in the lives of millions of people.

Rather than addressing an impending social catastrophe, Western governments, which serve the interests of the economic elites, have installed a "Big Brother" police state, with a mandate to confront and repress all forms of opposition and social dissent.

The economic and social crisis has by no means reached its climax and entire countries, including Greece and Iceland, are at risk. One need only look at the escalation of the Middle East Central Asian war and the U.S.-NATO threats to China, Russia and Iran to witness how war and the economy are intimately related.

Our Analysis in this Book

The contributors to this book reveal the intricacies of global banking and its insidious relationship to the military industrial complex and the oil conglomerates. The book presents an inter- disciplinary and multi-faceted approach, while also conveying an understanding of the historical and institutional dimensions. The complex relations of the economic crisis to war, empire and worldwide poverty are highlighted. This crisis has a truly global reach and repercussions that reverberate throughout all nations, across all societies.

In Part I, the overall causes of the global economic crisis as well as the failures of mainstream economics are laid out. Michel Chossudovsky focuses on the history of financial deregulation and speculation. Tanya Cariina Hsu analyzes the role of the American Empire and its relationship to the economic crisis. John Bellamy Foster and Fred Magdoff undertake a comprehensive review of the political economy of the crisis, explaining the central role of monetary policy. James Petras and Claudia von Werlhof provide a detailed review and critique of neoliberalism, focusing on the economic, political and social repercussions of the "free market" reforms. Shamus Cooke examines the central role of debt, both public and private.

Part II, which includes chapters by Michel Chossudovsky and Peter Phillips, analyzes the rising tide of poverty and social inequality resulting from the Great Depression.

With contributions by Michel Chossudovsky, Peter Dale Scott, Michael Hudson, Bill Van Auken, Tom Burghardt and Andrew Gavin Marshall, Part III examines the relationship between the economic crisis, National Security, the U.S.-NATO led war and world government. In this context, as conveyed by Peter Dale Scott, the economic crisis creates social conditions which favor the instatement of martial law.

The focus in Part IV is on the global monetary system, its evolution and its changing role. Andrew Gavin Marshall examines the history of central banking as well as various initiatives to create regional and global currency systems. Ellen Brown focuses on the creation of a global central bank and global currency through the Bank for International Settlements (BIS). Richard C. Cook examines the debt-based monetary system as a system of control and provides a framework for democratizing the monetary system.

Part V focuses on the working of the Shadow Banking System, which triggered the 2008 meltdown of financial markets. The chapters by Mike Whitney and Ellen Brown describe in detail how Wall Street's Ponzi scheme was used to manipulate the market and transfer billions of dollars into the pockets of the banksters.

We are indebted to the authors for their carefully documented research, incisive analysis, and, foremost, for their unbending commitment to the truth: Tom Burghardt, Ellen Brown, Richard C. Cook, Shamus Cooke, John Bellamy Foster, Michael Hudson, Tanya Cariina Hsu, Fred Magdoff, James Petras, Peter Phillips, Peter Dale Scott, Mike Whitney, Bill Van Auken and Claudia von Werlhof, have provided, with utmost clarity, an understanding of the diverse and complex economic, social and political processes which are affecting the lives of millions of people around the world.

Michel Chossudovsky and Andrew Gavin Marshall, Montreal and Vancouver, May 2010