



THE  
**World This Year**  
2016

**FAIR OBSERVER**<sup>o</sup>  
make sense of the world

# The World This Year 2016



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# AUTHOR

Atul Singh is the founder, CEO and editor-in-chief of Fair Observer. He teaches political economy at the University of California, Berkeley and at the Indian Institute of Technology, Gandhinagar where he also teaches world history. He studied philosophy, politics and economics at Oxford on the Radhakrishnan Scholarship and did an MBA with a triple major in finance, strategy and entrepreneurship at the Wharton School.

Singh worked as a corporate lawyer in London and led special operations as an elite officer in India's volatile border areas where he had many near-death experiences. He has also been a poet playwright, sportsman, mountaineer and a founder of many organizations. Singh's knowledge is eclectic, and his friends often joke that it comes in handy when access to Google is limited.

# ABOUT FAIR OBSERVER

Fair Observer is a US-based nonprofit media organization that aims to inform and educate global citizens of today and tomorrow. We publish a crowdsourced multimedia journal that provides a 360° view to help you make sense of the world. We also conduct [educational and training programs](#) for students, young professionals and business executives on subjects like journalism, geopolitics, the global economy, diversity and more.

We provide context, analysis and multiple perspectives on world news, politics, economics, business and culture. Our multimedia journal is recognized by the US Library of Congress with International Standard Serial Number (ISSN) 2372-9112.

We have a [crowdsourced journalism model](#) that combines a wide funnel with a strong filter. This means that while anyone can write for us, every article we publish has to meet our editorial guidelines. Already, we have more than [1,800 contributors](#) from over 70 countries, including former prime ministers and Nobel laureates, leading academics and eminent professionals, journalists and students.

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# The Continuing Story

*Throughout 2016, I continued to write every week, and another publication has emerged in a year marked by Brexit and Donald Trump's victory.*

In 2015, I narrated the story of how I started penning The World This Week at Fair Observer. As I said 12 months ago, the credit for this particular exercise goes to Rolf Dienst, an eminent German venture capitalist.

Of course, I have to thank other people too. My parents are the start of the queue. They gave me a tremendous education, supported me at all times and put up with my difficult ways. My brother comes next. He has been my sparring partner for years and, were it not for him, I would not be able to write the way I do.

For this publication, I owe a debt of gratitude to Abul-Hasanat Siddique, the managing editor of Fair Observer. As Sam Tully would say, Abul-Hasanat is a top man. He does everything outstandingly well and it has been an honor to work with him over the years. It has also been a privilege to work with Anna Pivovarchuk, the deputy managing editor of Fair Observer. Her intellectual rigor and understanding of nuance brings out the best in the writing of our contributors.

My writing has benefited enormously from the encouragement and support of more people than I can name. Karen Parks has fed me, argued with me and given me new insights. Peter Isackson has invariably inspired me and made me think harder. Alex Brenner has been a most gracious and cultured host. He has made my observations more refined and precise. Some of my students in Mexico, Kenya and India have asked trenchant questions, which then led me to serendipitous insights. Descartes one said, "I think, therefore I am." In my case, I learn from others, therefore I write.

In the course of the year, some weeks have been brutal. Writing The World This Week is not always a pleasant exercise. Yet it forces me to think long, deep, hard and clear every week. Every week, I have to wrap my head around the blizzard of stories that fly at me at a million miles an hour and explain what is going on. After all, "make sense of the world" is the motto of Fair Observer and, as the founder, I have to live it.

In 2016, there has been a lot to make sense of. When you peruse the pages that follow, it might strike you that each of the 52 weeks was significant in its own way. Of course, some weeks were most significant than others. From the Philippines and Turkey to the US and the UK, tectonic plates of history were on the move. In 100 years, we will be reading about what happened in 2016 and strive to make sense of it.

Some say that journalism is merely history in a hurry. As an editor-in-chief, I certainly consider myself a chronicler of our era. Long after my bones have turned to dust, the letters on these very pages might one day enable future generations to understand the tumultuous and, in some ways, traumatic year that we have just gone through. As of now, I sincerely hope you enjoy this labor of love, The World This Year 2016.

**Atul Singh**

Founder, CEO & Editor-in-Chief

December 31, 2016



# Something is Rotten in Saudi Arabia

January 3, 2016

*A rapacious, repressive regime facing regional setbacks and economic hardship turns to religious radicalism to retain its hold on power.*

In Act I, Scene 4 of *Hamlet*, the cold air “bites shrewdly” and the ghost of the dead king bursts upon the stage “horridly to shake our disposition.” These days, the long buried ghost of the [Sunni-Shia schism](#) is in the midst of a cosmic dance of destruction. The Saudis have begun 2016 by executing 47 people in a single day.

Some of those sentenced were [juveniles as young as 15](#). The prosecution most kindly requested the death by crucifixion of 17-year-old Dawood al-Marhoon while refusing him a lawyer. His crime was participating in an anti-government protest, for which he was tortured and forced to sign a blank document that miraculously turned into his confession.

In 2015, [beheadings soared in Saudi Arabia](#). As per many human rights groups, at least 157 people were killed last year. To be fair to the Saudis, Iran killed more than 1,000, Pakistan exceeded 315 and the Chinese probably take the gold medal in the number of executions. It is not the executions themselves, but the grisly manner in which the Saudis carry them out that evokes disgust in most parts of the world.

In 2003, the [BBC interviewed the leading executioner](#) of this terrifying kingdom, who recounted in grim detail how he chopped off heads and limbs with precision and poise. That those sentenced go through arbitrary proceedings, no due process and often torture before meeting their maker is an open secret. Marcellus’ words in that iconic ghost scene from *Hamlet* can be borrowed here: Something is rotten in the state of Saudi Arabia.

Horrific though the 47 executions may be, they would not have made headline news. They have made the news and caused a ruckus because of one of those killed was Sheikh Nimr al-Nimr, a leading Shia cleric from Saudi Arabia’s Eastern Province who opposed the House of Saud and its Bahraini ally. In 2011, [Nimr interviewed with the BBC](#) and declared that he was in favor of “the roar of the word against authorities rather than weapons ... the weapon of the word is stronger than bullets.”

Unsurprisingly, he was arrested in 2012 after protests broke out in the long marginalized oil-rich Shia areas of the Eastern Province. During his arrest, Nimr was shot four times in the leg. As per reports, he was denied proper medical attention and tortured while awaiting a sham trial. Prosecutors called for Nimr's execution by crucifixion, a punishment that according to the BBC involves beheading followed by public display of the decapitated body.

Saudi actions have been almost universally condemned and evoked fierce reactions among Shias. Protests have broken out in [Kashmir, Bahrain and Pakistan](#) against Nimr's execution. Lebanon's Hezbollah and Iraq's Shia-led government are unsurprisingly furious.

The most extreme reaction has occurred in Tehran. Shia Iran, the Saudi kingdom's regional and religious rival, is seething with rage. Iranian protesters stormed the Saudi Embassy in scenes reminiscent of 1979 when the US embassy suffered a similar fate. Ayatollah Ali Khamenei declared that Saudi Arabia faced "[divine revenge](#)" and the latter retaliated by accusing Iran of "blind sectarianism" as well as support of terrorism. Riyadh has since [severed diplomatic ties](#) with Tehran. The roiling waters of the Middle East are now boiling.

Some take the point of view that the House of Saud is tottering. The rather prolific Ibn Saud and his sons have left behind plenty of progeny who constantly jostle for power, influence and wealth. Although the Saudi royals are formally beholden to Wahhabism, a puritanical and reactionary form of Islam, they are reputed to have a taste for the fine things in life. [WikiLeaks revealed](#) "a world of sex, drugs and rock'n'roll behind the official pieties of Saudi Arabian royalty."

It is an open secret that maids from South and Southeast Asia are exploited, treated inhumanly and often raped. In a farcical case, a court ordered 200 lashes for a 19-year-old Shia woman who was raped by seven men. She was also duly packed off to prison, and her lawyer's license was confiscated for apparently speaking to the media about the incident.

This author has heard horrific tales of Saudi brutality from poor Indians who go to the kingdom as cheap labor. In fact, the Saudis have a reputation of doing little except living off the proceeds of their oil money. When Saudi princes are not cavorting with

prostitutes or snorting cocaine as reported in the [BAE scandal](#), they fund radical Islamists who provide them legitimacy.

Diplomats, intelligence officials and journalists in many countries speak of the toxic influence of Saudi money. In 2015 at the Massachusetts Institute of Technology (MIT), a young Bangladeshi student declared in this author's class that Saudi Arabia was destroying her country. The [Saudi-funded radicalization of Pakistan](#) is now well-chronicled even in the US. It is little surprise that Sunni Pakistan, a nation founded by a pork-eating Shia lawyer, is now [a tough country for minorities](#).

The Saudi regime is increasingly running out of places to hide. It has very few friends left. In Yemen, [Iranian-backed Houthis](#) are causing the Saudis constant trouble. In Syria, the Russians, the French and even the Americans are weakening the Islamic State, an organization that the Saudis have long been suspected of sympathizing with if not supporting. The nuclear deal between Iran and the US weakens the Saudi position in the Middle East. The Saudis have been softened by years of oil money and rely on mercenaries that might be turning more ambitious with time.

Most importantly, the oil-fueled party has ended abruptly and left everything in disarray. The Saudis decided to go nuclear in the oil-war to push out weaker rivals elsewhere. As per *The Economist*, the Saudis need oil to be around \$85 a barrel to finance public spending and about \$60 to keep the current account in balance. The [International Monetary Fund](#) predicted 20% deficits when the price hovered around the \$50 mark, and today it hovers around \$37.

The Saudis have ruled their people with a simple social contract. They give them generous subsidies from the kingdom's oil revenues. In return, the people support them. On December 29, the Saudis cut subsidies in an effort to reign in the deficit. This means higher prices for fuel, water and electricity as well as the gas used by industry. These economic reforms are painful and politically sensitive.

So, this is an excellent time for the House of Saud to stir the Sunni-Shia schism to gain public support. Syrian President Bashar al-Assad uses the same trick to fight rebels who belong to another tribe or religious denomination. The Islamic State has made inhuman religious radicalism its hallmark and Shia militias in Iraq emulate it. Five years ago, the Arab Uprisings broke out because Mohammed Bouazizi, a Tunisian fruit seller, immolated himself. Today, corruption, inflation, unemployment, sectarian strife

and repression continue to be a daily feature of life in much of the Middle East and North Africa.

Many are questioning if the Arab Uprisings were worth it. They could do well to remember that the French Revolution led to the Reign of Terror and much war, but in the end, France is a more egalitarian and democratic place because of 1789. At some point, Assad, the Islamic State and the House of Saud will run out of steam, and the blood-dimmed tide shall recede in this long-suffering region.

\*Available online at [Fair Observer](#)



# Explosive Situations in North Korea, China and Germany

January 10, 2016

*North Korea's nuclear test, China's stock market crash, and mass attacks on women in Germany pose great dangers to peace and stability.*

[North Korea](#), the Hermit Kingdom, is a funny place. A paunchy dictator with a ridiculous hairstyle keeps his people poor and saber rattles like a petulant child throwing a tantrum. Kim Jong-un, the North Korean dictator, is a member of the lucky sperm club. Kim Il-sung and Kim Jong-il, his grandfather and father, ruled North Korea before him and were rather nasty characters. This week, Kim Jong-un decided to emulate family tradition, so his country claimed it had exploded a hydrogen bomb.

The claim is most likely untrue. Hydrogen bombs are sophisticated. Uranium or polonium is split in an atomic bomb. A hydrogen bomb encloses the atomic bomb in a layer of lithium deuteride that causes a larger secondary explosion, producing temperatures of 400 degrees Celsius and sending devastating shockwaves. It is likely that North Korea produced a "boosted" nuclear weapon where a small amount of lithium deuteride made its bomb more powerful but did not quite make it a hydrogen bomb.

An artificial earthquake measuring 5.1 on the Richter scale was recorded near the site of North Korea's past nuclear tests. The earthquake was not too dissimilar from its past, making the possibility of a hydrogen bomb remote. So, why is Kim making tall claims?

The North Korean leader stakes his claim to the throne on his regime's putative achievements in science and technology. Missiles and nuclear weapons prove to his people that they are starving to serve their country and help it achieve greatness. [The Moranbong](#), an all-female pop group that performs in short skirts and that is purportedly personally selected by Kim, helps amuse his benighted, indoctrinated and malnourished people. This nuclear test gives them a shot of pride. It also gives Kim another chance to blackmail his neighbors and the United States.

Kim Jong-un lives off China's support. [China props up Kim's decrepit regime](#) to ensure that American troops are not on its border. The Middle Kingdom also worries about Korean refugees streaming across the border for rice and shelter. So, Kim may be annoying, but North Korea largely serves Chinese purposes—at least for now. Yet all is not well between the two kingdoms. Tellingly, North Korea has not been one of the 37 countries that Chinese President Xi Jinping has visited since taking charge in 2013. Furthermore, Beijing has publicly announced that it “[strongly opposed](#)” North Korea's latest nuclear test.

Kim runs a vassal state but has illusions and delusions of grandeur. No one can say with certitude how far he will go. After executing his uncle, Jang Sung-taek, Kim [proceeded to kill all of Jang's direct family](#) as well other families he was close to. North Korea is a medieval kingdom ruled by a megalomaniac. Kim's latest nuclear test has added to instability in East Asia. The US has flown a B-52 bomber over South Korea in a show of force even as the United Nations (UN) prepares for a fresh round of sanctions.

The tremors from North Korea's nuclear test pale in comparison to the tsunami-like effect of the collapse of Chinese stocks. Prices fell by 7% on January 4, the first day of trading in 2016, and trading was suspended. The same phenomenon occurred again. Meanwhile, Chinese manufacturing is declining and the economy is slowing down dramatically.

President Xi has positioned himself as the master of [China](#)'s economy. He has fought hard to manage the economy, market and the currency, failing dismally. China has been allowing people to invest abroad for the last two years. What began as a trickle has now turned into a flood. The Chinese fear the fall of the renminbi. Hence, they rush to invest their hard won savings abroad. This capital flight and worsening currency turmoil is causing massive disruption to the Chinese economy.

The old model of spending to stave off slowdown no longer works. The \$585 billion stimulus package of 2008 when the Chinese government put money into infrastructure, high-speed railway connections and intercity highways cannot be repeated. China's efforts to prop up an overinflated market have only cost the taxpayer money.

So far, the Chinese response to crisis has been confused. The Middle Kingdom is making two terrible assumptions. First, that government must intervene in markets when things go wrong. Second, that government knows how to intervene and set things right. As this author commented in 2015, these assumptions only [distort incentives, amplify bubbles and transfer risks to the taxpayer](#).

Very simply, the government is keeping alive many companies that are not viable businesses. This increases bad debts because these companies are not in a position to bounce back. China is throwing good money after bad. The savers who invest their cash in banks and tax payers are suffering most. The poor are subsidizing the rich for no reason whatsoever.

As expected, the Chinese stock market crash prompted a sell-off in markets around the world. Even relatively insulated [Indian markets crashed](#). The global economy is now highly interconnected and China has been a big driver of global growth. For years, China has been buying metals, crops and fuels in its chase for growth. As its economy slumps, rich economies like Australia and Canada as well as emerging ones like Brazil and Venezuela that export commodities suffer slowdown.

Germany is suffering too, though for different reasons. Its stock market tumbled by more than 2%, with its index, [the DAX, dropping to below 10,000](#) because of developments in China. Germany exports machine tools, cars and other high-quality goods to the Middle Kingdom. When the dragon sneezes, Germany catches a cold.

Germany is feeling blue not only because of tumbling markets, but also because of the events on New Year's Eve. As Germans were ringing in 2016, [mass attacks on women](#) took place in Cologne. Hamburg, Dusseldorf, Stuttgart and other towns reported similar attacks. [More than 100 women have come forward](#) with reports of violence, sexual assault and robbery. At least two have reported rape. Already, [516 criminal cases have been reported](#), of which 40% relate to sexual assault. Not since the days that the [Red Army wantonly raped German women](#) has the country experienced such trauma.

German police retreated in fear and failed to deal with the mass assaults. The media ignored the issue before it became too explosive to sweep under the carpet. Henriette Reker, the feckless mayor of Cologne, helpfully suggested that young women maintain an arm's length from strangers. Needless to say, it provoked outrage. Most importantly, the police have been tardy in investigating these mass attacks, arresting those responsible and prosecuting the guilty.

Germany has lived under the shadow of Adolf Hitler for more than eight decades. During the Nazi era, Germans embraced the pseudo-scientific racism that was prevalent in Europe in the early 20<sup>th</sup> century. They took this racism to its logical conclusion, killing millions of Jews, Slavs and other *untermenschen*. Since losing World War II, Germany has wallowed in guilt and been paranoid about being seen as racist.

Sadly, it is now clear that the attacks on New Year's Eve were carried out by men of Arab origin. Yet both the state and the media were terrified of saying so. They feared that doing so would boost the far-right. They continue to dodge the truth. As a result, people are losing faith in both the media and the state. Gradually, Germans might even start to turn against immigrants and refugees if the men who perpetrated these attacks go scot-free. Minorities will only be secure when German authorities convict the bad apples among them.

As per some scholars, the perpetrators of mass attacks are brutalized men with no respect for [the law, women's dignity or even human life](#). Such men have to be tried, convicted and deported immediately. There is no place for them in any society and Germany is no exception. Yet there is a strange lack of leadership and will in *Deutschland*. German politicians must remember that people want justice and that mass sexual assaults are explosively emotive, even for postmodern societies.

Tragically, the politicians' pusillanimous pussyfooting is creating a crisis of confidence and paving the path for the rise of the far right.

\*Available online at [Fair Observer](#)

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# Obama Rejects Politics Based on Race or Religion

January 17, 2016

*During a week of economic turmoil and terrorist attacks, President Obama appealed to his countrymen to behave with more maturity and inclusiveness.*

The son of a Kenyan Muslim who occupies the White House gave a stirring State of the Union address on January 12. President Barack Obama recognized back in 2004 that his presence on the stage was “pretty unlikely.” He declared then that [in no other country on Earth was his story possible](#). He was right. At its best, the United States can be a magical country with opportunity, multiculturalism and freedom.

Obama personifies this spirit of America. No European country would elect a black man to office. The same is true for any country in Latin America, the Middle East or Asia. At its best, the US has managed to assimilate minorities from distant shores and multiple faiths. This land of Puritans who set out to create a “Shining City upon a Hill” now has a Supreme Court with three Jews and six Roman Catholics as justices. Despite fervent Evangelicalism in the country, not one Protestant—leave aside a Puritan or Evangelical—is a justice in the highest court of the land.

Since Americans declared their independence in 1776, they have managed to forge a future that is markedly different to the Old World. Old Etonians still rule the United Kingdom with aplomb and the Queen remains the big boss of the Church of England. Social mobility in Britain might have improved since Victorian times, but the top positions are still out of reach for a commoner.

Yet when you peer under the hood or the bonnet, both the US and the UK are more complex than they appear. In the US, health care is supremely expensive and millions still lack access to it, despite Obama's signature health care reform. In the UK, everyone has access to health care if not of the five star sort that the rich get in the US. A [third of African American](#) men end up in jail, while no minority in the UK suffers mass incarceration.

Obama's address has come at a critical time. Global markets have been jittery this week. Stocks fell in Japan, Europe and the US because of sell orders from oil producing countries. Oil prices continue to sink even as sanctions on Iran end as part of the nuclear deal. Emerging markets relying on commodity prices are in disarray. Even the Chinese dragon is huffing and puffing instead of breathing fire.

The Royal Bank of Scotland (RBS) is playing Cassandra. It predicts a "[fairly cataclysmic year](#)" in which stock markets could fall by 20% and oil could slump to \$16 a barrel. It states that "the world has far too much debt to be able to grow well" and automation is "on its way to destroy 30-50% of all jobs" in affluent economies.

On July 4, 2015, this author argued that the [Greek debt crisis signaled](#) "the beginning of the end of the current debt-fueled global financial system." On September 19, this author wrote that unresolved economic contradictions made the [risk of a global recession real](#). RBS is painting a grimmer picture and advising investors to "sell (mostly) everything" because there is no one "left to take up the baton of growth." *The Wall Street Journal* reports that plunging oil prices "[could sink a third of US oil producers](#)." Clearly, Obama could not have chosen a better time to bid adieu.

Globally, things did not go well this week. Indonesia, a country where Obama spent some of his childhood, has suffered a terrorist attack. Six explosions and trigger happy gunmen killed three people and wounded over 20. Indonesian commandos emerged with credit as they dealt with the situation swiftly and efficaciously. Yet the largest Muslim country in the world remains vulnerable. In 2002, the [Bali bombings killed 202 people](#). Jemaah Islamiyah, a violent Islamist group, was found responsible. This time, the [dreaded Islamic State](#) predictably claimed responsibility for the attacks. More attacks will inevitably occur as fundamentalists and bigots attack the syncretic form of Islam that Indonesia practices.

This week, an [attack in Turkey left ten people dead](#), of which at least eight were German tourists. Fifteen others were wounded, most of them German again. Istanbul's posh Sultanahmet district has been largely deserted since. The Islamic State is the suspect again. Security in Turkey is taking a beating. Many suspect Islamist Prime Minister Recep Tayyip Erdoğan of [sympathizing and even supporting extreme Islamists](#) in the past. Now, Erdoğan has a fight on his hands even as he continues to focus more on pummeling the Kurds than on curtailing the Islamic State.

Even as the global economy wobbles and terrorism takes international dimensions, Taiwan has some cheering news. Tsai Ing-wen was elected as president. She is the first woman elected to the position. Tsai supports *de jure* independence from China and promises greater transparency in government. Now that she is in power, she has vowed to preserve the status quo in relations with Beijing. However, she has asked the Chinese to respect Taiwan's democracy and called upon both sides to avoid provocations.

In the 1930s and 1940s, the communists and the Kuomintang (KMT) fought a brutal civil war. The latter lost and fled to Taiwan. Since then, both countries have developed into dynamic economies. As a small island state, Taiwan has moved from authoritarian rule to a vibrant democracy. The KMT, which has ruled Taiwan for most of the past 70 years, lost to Tsai's pro-independence party.

The KMT lost because people worried about low wages, increasing inequality and a flailing economy. They were uncomfortable about Taiwan's growing economic dependence on China. Trade and investment flows have reached new highs. It is little surprise that China sneezed and Taiwan caught a cold.

Taiwanese voters have opted for a leadership that will not jump into bed with China but will keep a safe distance. They have voted for sovereignty, democracy and self-rule. China will not be too pleased because it still holds that Taiwan is a breakaway province. It just wants to preserve the *status quo*. Tsai is promising to adhere to it too, but she has a different set of values and has been elected on a platform of change. The risks of a China-Taiwan confrontation have just gone up.

In light of the events this week, Obama's address was soothing not only for the US, but also for the rest of the world. At his best, the US president is an inspiring figure with spellbinding skills of oratory. At his last State of the Union address, Obama set out a

case for an engaged, meritocratic and tolerant America. He was candid about his challenges even if he was at times glib about his proposed solutions.

The US is going through a strange crisis of confidence. Although the unemployment rate has fallen, more Americans have dropped out of the labor force. The number of Americans over 16 looking for work has dipped to [a 38-year low](#). Rising inequality is breeding resentment. Charismatic candidates are running for president, promising quick fixes to deep problems. They are also peddling hate against immigrants and Muslims. Donald Trump and Ted Cruz are the frontrunners in the Republican primary, sending shivers down many spines.

In his last address, Obama did offer rhetorical and nationalistic red meat to Americans as their staple fare. He pointed out that the US is the strongest nation in the world to whom everyone turns for leadership. He also stretched the truth considerably when he claimed that American “troops are the finest fighting force in the history of the world.” Yet for all its humbug, Obama’s speech is of historical importance.

The president spoke about opportunity and security in the new economy, with globalization and automation gobbling away jobs and squeezing the workers. He explained the importance, relevance and immediacy of climate change. He championed public health and increased trade. He argued for controlling the role of money in elections and ending gerrymandering.

Most importantly, Obama harked back to the Enlightenment and unambiguously rejected any politics “[that targets people because of race or religion](#).” In a world of Trump, Cruz and the Islamic State, this is an invaluable message from a once “skinny kid with a funny name” who has become the most powerful man in the world.

*\*Available online at [Fair Observer](#)*



# Global Economy in Trouble as Markets Tumble

January 24, 2016

*The sharp fall in markets worldwide indicate that rising prices induced by the munificence of central banks can no longer keep going up.*

On January 20, [markets tumbled](#) from Tokyo and Dubai to London and New York. Three concerns torment investors. First, the slowing Chinese economy terrifies them. The dragon is no longer breathing fire and the global economy is going cold. Second, falling oil prices are a signal that demand is slowing down. Naturally, companies in this sector are suffering and many are in peril. This drives down their share prices in particular and markets in general. Third, many fear that quantitative easing (QE) has reached its limits and this [printing of money is damaging the economy](#). QE was the last weapon that central banks had in their armory and it is no longer working.

Since 2015, this author has been increasingly uneasy about the global economy. The reasons are simple. Central banks have opened their hose pipes and filled the global economy with money. Their hope is that people will spend instead of stash their money in the bank. Companies will borrow and increase production. Increasing consumption and production will lead a virtuous cycle and an uptick in the global economy.

The reality is slightly different. The rich part of the world already has far too much stuff. After all, how many more television sets and sneakers can Americans buy? Chinese factories that have been buzzing away to supply Walmart and Costco are finding that US demand cannot increase incessantly. Most Americans are deep in debt because of student loans, mortgages and credit cards. American consumption can no longer keep Chinese factories busy as in the past. There is a demand problem.

At the same time, there is a supply problem. China has increased production at a spectacular scale. It is the workshop of the world. The scale and speed at which China constructs ports, railways, roads, factories and flats is frightening. Chinese goods are sold all the way from the US and Europe to Africa and India. There are too many Chinese factories churning out too much stuff.

The Chinese economy has reached an inflection point. As a country, China has achieved a transformation that is breathtakingly staggering. As a result, it is deeply vulnerable to market shocks because of its integration with the global economy. Yet its institutions have not kept pace. It responds to new crises using old communist-era tools that simply do not work anymore.

On August 24, 2015, Chinese stock markets [suffered “Black Monday”](#) that wiped off trillions of dollars of wealth. The Chinese authorities reacted in panic and tried to catch a falling knife, cutting themselves deeply in the process. China was experiencing what the US experienced in the 1920s. People were [incurring debts to play the stock market](#). When the party stopped in 1929, many were left without their shirts. Luckily for the Chinese, not too many of its citizens were speculating in the stock market. Chinese authorities did not have to prop up the market.

Chinese investors playing the market were the affluent section of their society. If they lost money on the market, so be it. Instead, the Chinese authorities took the money saved by its poor citizens and threw it to those who were rich by trying to keep up share prices. They achieved nothing but shaking confidence in their ability to handle future crises. Even more importantly, they indulged in what the US government engaged in during the bailouts of the big banks: capitalism on the upside and socialism on the downside. Private players gain benefits while tax payers bear the risk and pay the bill.

This transfer of wealth from the poor to the rich has been going on for a while in China. Those with good *guanxi* get loans from state-owned banks to build apartments or factories. The money in these banks comes from deposits of millions of workers, teachers and other ordinary folks. This money is invested terribly and [bad debts in China run into trillions of dollars](#).

Oil prices are falling in no small part due to the decline in Chinese demand. Commodity prices are falling for the same reason. Countries like Brazil, Chile, South Africa and Australia are suffering as a result. In 2015, this author predicted that the Chinese slowdown would lead to [declining, trade, growth and returns to capital](#). That is coming to pass. Something else that is occurring is [the flight of Chinese capital for safe havens](#), which demonstrates the plunging confidence in the economy of the Middle Kingdom.

Falling oil prices reveal that supply exceeds demand. With sanctions on Iran ending, there is even more oil sloshing around. Oil provides [a large chunk of the world's energy](#), particularly for transportation. Falling prices put pressure on companies in this sector. In 2015, [39 oil field service companies went bankrupt](#). Many others will turn off drilling rigs and shut down oil wells. Panic and fear have now replaced irrational exuberance in the oil sector. This sentiment is affecting the market as a whole in a classic example of what John Maynard Keynes once called “animal spirits.”

It is these animal spirits that central banks have tried to stimulate for the last few years. Instead, increased money in the economy has only led to rising asset prices, whether of property or shares. A bubble has been brewing in many parts of the world, but the real economy has not become dramatically more productive or increased human welfare. Bill Gross, a legendary investor who once headed [PIMCO](#) and now runs Janus Capital Group, has been damning in his assessment of central banks and the economy.

Gross points out that even if [central banks lower interest rates](#), people may just keep money in cash instead of invest in a security that might lose value. In a [brutally candid article](#) dated January 7, this billionaire almost manages to sound Marxist. He compares the Romans giving their Plebian citizens a day at the Coliseum to developed economies providing “Fantasy Sports, cellphone game apps, sexting, and fast food to appease the masses.” He goes on to write: “Keep them occupied and distracted at all costs before they recognize that half of the US population doesn’t go to work in the morning and that their real wages after conservatively calculated inflation have barely budged since the mid 1980’s.”

Gross is making a fundamental point. The global economic model has three intractable problems. First, it is in [a debt crisis](#). Too many entities have taken on debt they can never repay. Second, it faces a jobs crisis. Automation and artificial intelligence are decimating jobs. Robots may be able to build things better, cheaper and quicker, but if a larger number of people no longer have jobs, then who will buy these things? Third, inequality is deepening and widening chasms in society, shaking social contracts that have held for decades. Violence increases in deeply divided societies. As inequality has increased, so has the violence in countries like Mexico, South Africa and India.

Even as markets stumble, [14 million people in southern Africa are facing hunger](#) because last year’s harvest was damaged by El Nino. Many believe Ethiopia’s

drought to be “[as bad for children as Syria’s war](#).” More than 10 million people need food aid and 400,000 children suffer malnutrition.

Finally, the Zika virus is [causing alarm in South America](#). The World Health Organization estimates that the virus is likely to spread across the Americas. It leads to below-average head size and a smaller than average brain size in children born to mothers suffering from the virus.

A new economic system that has space for tackling long-term problems such as the Zika virus and hunger is the need of the hour. Life is more than stuff and markets cannot be all.

\*Available online at [Fair Observer](#)



## Italy-EC Deal Puts Taxpayers at Risk

January 31, 2016

*Italy’s new deal with the European Commission evokes ghosts of the past and raises big questions about the future of the eurozone.*

Italian banks are in trouble. In the recent market turmoil, [share prices of Italian banks have dropped dramatically](#). As per the *Financial Times*, Italian banks have more than €350 billion of bad debt. Put simply, this is debt where borrowers are not paying repayments as they originally promised to, and the loan itself may never be repaid. It is little surprise that confidence in Italian financial institutions has evaporated, credit is hard to get and the Italian economy is gasping for air.

This week, Italy announced a deal with the European Commission (EC) that allows it to guarantee its bad debt. Here’s how it is supposed to work. Italian banks will offload their bad debt to private players like hedge funds and alternative asset managers. Some of these institutions are looking to increase returns. They will buy this “[distressed debt](#)” at a deep discount. The government is guaranteeing this debt to ensure that the losses these institutions suffer are capped should things go belly up.

Many governments are keen to create private markets for bad loans, and this is what the Italian government is aiming to do. This broadens the pool of creditors, lowers the cost of debt and spreads risk. Most importantly, banks get rid of bad debts from their books. They become healthier and can resume normal activities such as lending to businesses and individuals. Just as in a patient who has open heart surgery, credit flows again and the economy recovers to good health.

So, what's the catch with such an eminently sensible proposition?

First, there is no guarantee that the Italian government's guarantee will work. Markets have reacted skeptically. They have good reason to do so. The details of the deal are sketchy. The Italian government is in charge of a fast-aging country with high unemployment. Apart from pasta, football and *la dolce vita*, Italians love tax evasion. When the push comes to shove, the Italian government might not have the money or the political will to fulfill its guarantee.

Why not [simply write the bad debts off](#), take the hit in the gut, recapitalize banks if need be, and march on to create a healthier system? And whilst doing so, rationalize Italy's Byzantine regulations that are honored more in the breach than observance? Why not reform a convoluted tax system that no one understands except accountants? What about reforming an education system that churns out a notoriously poorly skilled workforce? Also, how about rewriting labor laws that do not make any sense?

The Italian government finds these questions suitably thorny. Therefore, it has plumped for a deal that promises quick rewards and much less pain.

Second, this week's deal raises a fundamental question regarding risk and reward in the global financial system. Italy disingenuously claims that its deal with the EC will not cost the taxpayer money. The deal will stimulate the economy and, as a result, generate revenue. Yet it is an incontrovertible fact that Italian taxpayers are taking a risk. If things go wrong, they end up footing the bill to cover the losses of private investors. If things go right, then these private players rake in profits.

This has happened before. As [Karl Otto Pöhl points out](#), the 2010 Greek bailout "was about protecting German banks, but especially the French banks, from debt write offs." He recommended slashing Greek debt by a third, but was ignored by the powers that

be. Instead, the troika of the European Central Bank (ECB), the European Commission and the International Monetary Fund (IMF) threw good money after bad. They replaced private debt with public debt, enriching the rich by robbing the poor for the lofty goal of inspiring confidence in the economy.

Hank Paulson, the former US treasury secretary and head honcho of Goldman Sachs, did the same under President George W. Bush. Financial institutions who took reckless risks were bailed out by taxpayer money. Top managers of these institutions cynically used this money to help themselves to [multimillion dollar bonuses](#). They justified their bonuses on narrow legalistic arguments. They were promised bonuses by the banks in their contracts. These contracts were sacred and made them creditors because the bank owed them money. Legally, they had first claims as creditors and bonuses were their sovereign prerogative. The minor point that the banks themselves would not exist if the taxpayers had not bailed them out was mere piffle.

The bailouts during the Great Recession of 2008 shook not only the economic foundations of the current financial system, but also its legitimacy. Financial markets work not because they are necessarily efficient. Markets work because people believe in them. If people are not sure that they will get 800 grams of potatoes when they are promised 1 kilogram, or when they suspect that they will be sold a bad second-hand car when they are promised a good one, then trust evaporates and markets eventually disappear.

Today, markets are suffering a crisis of faith. Economists, its high priests, and bankers, its swashbuckling knights in sharp suits, are seen as charlatans and thugs. They are seen as members of a sordid system where the rich rob the poor to swill champagne and gorge *foie gras*.

People suspect that Italy's deal might end up becoming another bailout. Besides, many remember another deal whose ghost is haunting the eurozone every day. When the ECB launched the euro, Italy had failed to meet the [Maastricht criteria](#) to join the currency union. In the style of the *Mafia*, *Camorra* and *Ndràngheta*, the Italian government did an "[off the record, on the Q.T. and very hush-hush](#)" deal with none other than Paulson's gang, the [splendidly glorious Goldman Sachs](#).

The Goldman deal was breathtakingly simple. Even better, it was totally legal. The land of Niccolò Machiavelli and Luca Pacioli, the father of modern accounting who created

the system of double-entry bookkeeping, entered into a swap deal with Goldman. It converted a foreign currency debt into a domestic currency obligation. By using a fictitious exchange rate and rigging interest rates, Goldman waved its magic wand and made debt disappear from Italian books. It was creative accounting at its finest. Italy could adopt the euro and the European Union (EU) embarked on its new single currency experiment. In return, [the golden boys of Goldman pocketed a hefty fee](#). To paraphrase Robert Browning, God was in heaven and all was right with the world.

Italy was not the only country playing footsie with the rules. In 2010, *Der Spiegel* reported that Goldman had “helped the Greek government to [mask the true extent of its deficit](#) with the help of a derivatives deal that legally circumvented the EU Maastricht deficit rules.” This deal was based on the Italian one and helped Greece join the eurozone. Goldman was smiling all the way to the bank, and unsuspecting tax payers were unknowingly left with a fat bill. At a time when the Greece debt crisis is still playing out, the Italian government makes protestations that this time things are different. However, this sort of deal-making has gone awry far too many times so far. This system of socialism on the downside and capitalism on the upside has to come to an end.

Third, the Italian deal raises fundamental questions about the future of the EU. Across Europe, skeptics are attacking the EU for its democratic deficit. Incestuous elites in Brussels decide the destiny of Europe without bothering to consult the people. Many believe that the EC and ECB are fixated with austerity. They fear that capital is sacrosanct and people like [Mario Draghi](#), the Italian boss of the ECB who once worked for Goldman Sachs, still puts the interests of his former employers first. Just as markets work when people believe in them, so do institutions. Sadly for Brussels, the EU project itself is experiencing a crisis of faith.

Both the left and the right are increasingly making the same arguments against the diktats that Brussels delights in issuing. Local communities and national governments are chafing against EU institutions like the EC and the ECB. Italy had to bargain very hard to arrive at a deal with the EC. There are numerous EU rules prohibiting state aid to struggling banks. Italy wanted to push through [a more sweeping “bad bank” plan](#) but had to defer to the EC. The negotiations, whilst tough, papered over an unresolved contradiction. Is the EU an optimal currency union?

As *The Economist* points out, Italy's experience within the eurozone has been miserable. It has been in recession for five of the last eight years. Its per capita income after adjusting for inflation is lower than in 1999. Italy's sovereign debt has now crossed 130% of its GDP. Italian productivity has been falling and the economy is ridiculously uncompetitive. The same is largely true of Spain, Portugal and Greece. Currency unions do not necessarily need homogeneity. However, the constituent units need to have enough similarity to function together. This similarity could be political or it could be political or social. In the US, New York and California are willing to subsidize Mississippi and Alaska. However, Germany and Denmark are flinching when it comes to supporting Italy or Greece.

The [Berlin Policy Journal](#) sums up the issue in a nutshell. The French were terrified of the rise of Germany after reunification. In 1988, François Mitterrand, then-president of France, described the deutschmark as "Germany's Atom Bomb." To defuse it, Jacques Delors, Mitterrand's socialist comrade who was the big boss of the EC, came up with the immaculate conception of the euro. Yet this immaculate conception has turned out to be [Europe's original sin](#).

Lumbering oxen like Greece have been yoked together with fleet-footed workhorses like Germany with no one holding the reins. Oxen employed wizards like Goldman Sachs whose hush-hush deals transformed them into horses, at least on paper. All was supposed to go swimmingly well, but the eurozone cart keeps lurching from crisis to crisis.

How surprising? Might yet another deal set a few things right?

\*Available online at [Fair Observer](#)



# Donald Trump is Scary, Ted Cruz is Terrifying

February 7, 2016

*Donald Trump is a chest-thumping gorilla reminiscent of Mussolini, while Ted Cruz is a devious fanatic with similarities to Stalin, making him far more dangerous.*

After declaring that it has detonated a hydrogen bomb, North Korea has launched a long range rocket. This is making South Korea, Japan and the United States jump up and down in woolen underwear. Samantha Power, the US ambassador to the United Nations, declared that [“there can be no business as usual”](#) and promised “we’ll come up with something tough.”

Republican candidates do not believe Power. They berated President Barack Obama for weakness and promised real toughness. Jeb Bush, the brother of George W. Bush, promised a preemptive strike on North Korea. [Donald Trump](#) was more reasonable. He declared that China had “tremendous control over North Korea” and was best placed to solve the problem quickly and surgically. Trump would let China deal with North Korea. The rise of Trump with his megalomania, simplistic solutions and powerful populism is ruffling many feathers. In a *Der Spiegel* article, Markus Feldenkirchen declared Trump to be [the world’s most dangerous man](#). Feldenkirchen is wrong. Like many decent Germans, Adolf Hitler’s ghost continues to torment him and makes him project German anxiety on American reality. There are more dangerous men than Trump and one of them is running against him.

Trump is a boorish bully. To use an American expression, he talks smack. Yet he is more like Benito Mussolini and less like Adolf Hitler. Feldenkirchen shudders on seeing Trump “vulgarly pursing his lips” and declaring that he would “attack head-first again” in the manner of American football. For Trump, concussions and brain damage do not matter. He wants America to toughen up and become great again.

Other Republican candidates largely agree with Trump. They are simply not as candid as him. Donald Trump is certainly scary, but Ted Cruz is terrifying.

In this week's primary debate, both men were asked about waterboarding. Once, Uncle Sam deemed this practice torture. After World War II, it sentenced Japanese prisoners of war to death for waterboarding. Cruz was too clever by half and claimed that waterboarding was merely enhanced interrogation, not torture. He made a convoluted case for using it sparingly to protect American lives and keep the country safe. Trump boldly declared that he would bring back waterboarding and "a hell of a lot worse than waterboarding."

*Prima facie*, Trump's response is crass, but Cruz's is the more sinister. Trump is impulsive. He is full of bluster. Cruz is calculative. He is bringing torture in through the back door. Cruz is smoothly insisting that torture is not really torture. And he would use "enhanced interrogation" only sparingly for *bona fide* reasons. Trump is merely a chest-thumping gorilla. He is a modern counterpart to Benito Mussolini. Cruz is more like Joseph Stalin. Underneath his reasonableness lies a ruthlessness that is more controlled, doctrinaire and bloodthirsty than the comic book buffoonery of Trump.

The now chubby Cruz was a [star debater at Princeton](#). He then went to Harvard Law School where he did well again and [clerked for Chief Justice William Rehnquist](#). Cruz played a key role in George W. Bush's legal team that defended his victory over Al Gore in Florida. He understands the power of the judiciary and is already planning to install "rock-ribbed" conservatives in the US Supreme Court.

Cruz's [wife is a Harvard MBA](#) who works for none other than Goldman Sachs, an investment bank that sees itself as the "pillar of the free market, breeder of super-citizens" who do "[God's work](#)." So many US Treasury secretaries have come from Goldman Sachs that its detractors see the bank as "a creepy, conspiratorial vampire squid of finance." Yet this slick climber of the greasy pole has passed himself off as a rebel and is the darling of the Tea Party. Trump is a mere poser, while Cruz is a frightening plotter.

Like Marco Rubio, Cruz is a first-term senator. Rubio takes up extreme positions, including opposition to abortion in the case of rape, incest and danger to a mother's life. Yet Cruz does so with a fanaticism that is more intolerant. He was one of the three senators who voted against confirming John Kerry as secretary of state. When Obama appointed Chuck Hagel as defense secretary, [Cruz smeared the old war veteran with insinuations](#) that he had received money from foreign governments and extremist groups.

For all his manifold flaws, Trump is willing to make deals. In this week's debate, he talked about the need to "take care of people dying on the street." It might seem inconceivable, but Cruz is more inhumane than Trump. This doctrinaire senator calmly took an ideological position. He talked about repealing Obamacare and did not mention what he would do about those who were dying on the street. In 2013, [Cruz railed against Obamacare for 21 hours](#) on the floor of the Senate, causing the shutdown of the federal government.

Cruz is not a fellow who brooks any compromise whether on taxes or on abortion. He takes a similar hard line when it comes to the right to own guns. Cruz's [chilling video in which he cooks bacon on a machine gun](#) offers an uncanny insight into his pugnacious personality. Unsurprisingly, when *The New Yorker* profiled him in 2014, it titled the piece "[The Absolutist](#)." Former classmates, fellow lawyers and colleagues on Capitol Hill [loathe Cruz](#) and use epithets like "wacko-bird," "abrasive," "arrogant" and "creepy" to describe him. Yet Cruz has managed to march on. While Trump likes notoriety and publicity, Cruz cares only about power and how to wield it to achieve his purpose. Cruz in the White House is a terrifying proposition.

In some ways, what is happening in the Republican primary is the smashing into smithereens the edifice that Ronald Reagan built. Reagan promised "[reforms that will get government off our backs](#), out of our pockets and up to the standards of decency and excellence envisioned by the founding fathers." He championed American exceptionalism, painting the picture of the US as the "last best hope of man on earth." He talked of freedom of the individual with low taxes and less red tape. Internationally, he threw the gauntlet to the Soviet Union. [In an iconic speech in Berlin](#), Reagan asked the Soviet general secretary, Mikhail Gorbachev, to open the Brandenburg Gate and tear down the Berlin Wall.

Yet there was a sinister side to Reagan. People of color in Asia, Africa or Latin America always took the words of this draft dodging second-rate actor with more than a pinch of salt. This man who gave rousing speeches about freedom supported the South African apartheid regime. At home, he practiced dog-whistle politics. He [appealed to white voters in the Deep South](#) by championing states' rights, which was code for allowing states to practice segregation, and [kicking off his election campaign in Neshoba County](#), where the [Ku Klux Klan murdered](#) three civil rights workers in 1964.

Reagan is now the great god of the Republican Party. Everyone swears by him. In this week's debate, Ben Carson invoked Reagan's 11<sup>th</sup> Commandment of not criticizing fellow Republicans on the god's 105<sup>th</sup> birthday. The token black Republican in the primary was prostrating before a deity whom much of the world outside the US regards as racist. Cruz declared that Iran released American prisoners the day Reagan came to power because they feared his strength. Even narcissistic Trump paid homage to Reagan's ability to make deals with Democrats led by Tip O'Neill.

Republican fixation with Reagan is nostalgia for the last era of American greatness. Americans talk about how Reagan humbled the Soviet Union and engineered its collapse. His sunny demeanor and easy charm are abiding memories for people like Cruz who were coming of age in the 1980s. [Greed was good](#) and the roughshod barbarians of [private equity threatened](#) the gates of cushy companies. Reagan came to power to "make America great again" and, in the eyes of his devotees," he did so successfully. If only things were as simple as Carson, Rubio, Trump, Cruz and co would like us to believe.

The Reagan era has run its course. The Soviet Union is buried six feet under. An older monster is back. Increasing inequality is now threatening social cohesion, economic opportunity and political equality. Just [158 families provided nearly](#) half of the early money for candidates campaigning for the White House. Americans are angry because the promise of the post-Soviet era and globalization has turned into the nightmare of low incomes with little job security. Rising costs of education, health care and housing have pushed many into a brutal debt trap. The rise of the Islamic State with its gory beheadings brings back memories of 9/11. Americans are now afraid of their own shadows. They yearn for a simpler era when things seemed safer and the country felt greater.

A deeply divided country is now vulnerable to the likes of Trump or Cruz. God save America!

*\*Available online at [Fair Observer](#)*



# Death of the Godfather

February 14, 2016

*In the US, the death of Justice Antonin Scalia has added fuel to the fire in a raging Republican primary.*

This week, Syrian troops pounded the ancient city of Aleppo, Turks targeted Kurds, and North Korea announced it was up to new mischief. [LinkedIn's share price fell by 43%](#) on a single day, while [Twitter's stock fell to "a new all-time low."](#) Money fled to bonds and the yield on [Japanese ten-year bonds fell to -0.04%](#). This means that investing \$10,000 in Japanese bonds today will get you \$9,996 in ten years. Clearly, expectations for the global economy are no longer rosy.

This global political and economic turmoil is unsettling American voters. They feel threatened in a world that seems more dangerous and uncertain. Americans are anxious and angry about the hollowing out of the middle-class, the gradual disappearance of the working-class, the rising costs of health care and the whittling down of their pensions. For the last three decades, inequality in the US has been rising radically. It is now reminiscent of the eras of [the Gilded Age](#) and [the Roaring Twenties](#). Unsurprisingly, deepening divisions in society are causing ferociously fractious politics. Now, there will be more acrimony. Antonin Scalia, the Supreme Court's longest service justice and a dyed-in-the-wool conservative with a razor sharp wit, passed away in his sleep on February 13. The political battle to appoint his successor has broken out while his corpse is still warm.

Republicans are going ballistic because President Barack Obama, their *bête noire*, will nominate Scalia's successor. They are crying foul and asking him to leave this choice to the next president. They have promised rearguard action in the Senate where a supermajority of 60 is required to confirm a presidential nomination.

Scalia was a legal giant. This author ran into him at an eminently forgettable event in Washington, DC. Scalia was far from forgettable though. He was warm, witty and vigorous. He advised this author to return to the world of law after parrying a repartee. Unsurprisingly, Scalia's closest friend in the Supreme Court was Justice Ruth Bader Ginsburg, the leading bleeding heart liberal on the bench. Ginsburg paid tribute to Scalia by calling him "[a jurist of captivating brilliance](#)." She observed: "We disagreed

now and then, but when I wrote for the Court and received a Scalia dissent, the opinion ultimately released was notably better than my initial circulation.”

With Scalia dead, the *bonhomie* between political opponents in Washington, DC is extinct. Not only have Democrats and Republicans drawn daggers, but both parties are experiencing civil war. Candidates are slaughtering holy cows. [Bernie Sanders](#) declared that the US made a mistake in [deposing Mohammed Mosaddegh](#) in 1953. [Hillary Clinton](#) responded with claptrap because she is a card-holding member of the American establishment. The Republican debate in South Carolina was a bloodbath. Everyone summoned ghosts from the past, and John Kasich declared that the borders of Iraq “were drawn after World War I by Westerners who didn’t understand what was happening there.”

Other Republican candidates went further. [Donald Trump](#) declared that George W. Bush made a mistake in invading Iraq. He accused the former president of lying about weapons of mass destruction. Trump went on to cross the Republican Rubicon by accusing Bush of incompetence in failing to protect the US from attacks on September 11, 2001.

The Bush family have been the patron saints of the Republicans. Papa Bush was Ronald Reagan’s faithful sidekick before ascending to the throne. Bush Jr. [worshipped the ground Reagan walked on](#). Apart from the presiding deity of Reagan himself and safely dead saints like Scalia, Trump’s broadsides reveal that nothing in the Republican church is sacred anymore.

What makes the likes of Reagan and Scalia sacred is the memory of American greatness. The US was the big boss after World War II. Mistakes like Mosaddegh did not matter. Vietnam was more serious and caused a real crisis of confidence. The 1979 Iranian Revolution shook up things as well, but with his smooth manners, perfect hair and a sunny smile, Reagan reassured the nation.

Unfortunately, the trouble is that many of today’s realities are rooted in Reagan’s decisions. Conservatives worship Reagan but fail to observe that he ran big deficits. They forget his draft dodging and other unfaithful acts. To borrow words from *Scent of a Woman*, Reagan was a [snitch](#) who [sold fellow actors down the river](#) in the era of McCarthy’s witch hunts. Then, [Reagan was an informer for the FBI](#), and Director J. Edgar Hoover passed some taxpayer money to the Gipper in brown paper

envelopes. [As this author pointed out last week](#), Reagan still gets away with supporting apartheid South Africa and playing dog-whistle politics with supporters of the Ku Klux Klan.

In 2016, it is clear that Reagan's trickle-down economics has failed. His policies favored Wall Street and benefited the financial sector inordinately. Bill Clinton was Reagan's political stepchild and signed the [Gramm-Leach-Bliley Act in 1999](#), removing the Glass-Steagall Act of 1939. [Warnings of Byron Dorgan](#) and others were ignored. Clinton appointed a former CEO of Goldman Sachs as treasury secretary and bankers became the new kings of Washington, DC.

Not all transpired as per plan. Banks speculated wildly and lost their shirts. The Great Recession of 2008 followed. Taxpayer money bailed out banks, which proceeded to pay multimillion-dollar bonuses to their failed executives. Quantitative easing by central banks has further benefited those with assets, such as these overpaid executives.

As prices of assets have risen, so has inequality. Those without assets have struggled to find decent paying jobs and are hurting.

Inequality in the US is making the wealthy more powerful. In a historic decision, Scalia significantly augmented their power. As Reagan's appointee to the Supreme Court, he was one of a majority of five that prohibited government from restricting political expenditures by corporations. This iconic case of [Citizens United v. Federal Election Commission](#) has allowed those with money to spend unlimited amounts on election campaigns. This was a case where the justices decided on party lines. Republican appointees opposed limits on election expenditures, while the four Democrat justices wrote dissident opinions.

Scalia's consistent conservative record has made him a saint for the Reagan faithful. Jeb Bush called him a "lover of liberty" and commended him for being a judge who "did not try to legislate from the bench." Marco Rubio declared that Scalia did not treat the constitution as a "living and breathing document" but interpreted its "original meaning." Scalia's theory of originalism gelled well with the desire of American conservatives to return to the halcyon days of the Founding Fathers. Scalia wanted the legislature to make laws and believed his job was interpreting the laws as they were written. If people wanted to ban abortion or do away with the death penalty, they had to persuade their fellow citizens to pass a law instead of look to the court.

Scalia, a devout Catholic, fathered nine children. Clearly, he did not countenance the idea of contraception. Yet Scalia was a complex man. In a strange way, his approach to the US Constitution is more akin to Martin Luther than the Vatican. Scalia was far from fanatical, though, and went on to declare that he was “a faint-hearted originalist.” As he once memorably and pithily remarked, “[I am a textualist, I am an originalist. I am not a nut.](#)”

Still, many Republicans see Scalia as the last badass godfather of the Reagan era. Now that he is dead, a crazy gang war has begun.

\*Available online at [Fair Observer](#)



## A Troubled Marriage in Europe

February 21, 2016

*Cameron negotiates a “special status” in the EU only to face revolt in his own party and a tricky referendum in June.*

This week, [British Prime Minister David Cameron](#) flew to Brussels with much *élan* to negotiate a deal to reform the European Union (EU). He threatened to take the United Kingdom out of the EU unless British reservations regarding greater political union, welfare benefits to migrants, sovereignty of its parliament, protection of the City of London and its economic interests in the eurozone were addressed. Cameron has returned claiming victory. He says the UK now has a “special status” in the EU. Boris Johnson, [the flawed mayor of London](#), disagrees. Cameron wants to stay in the EU, while Johnson wants to leave. In a [referendum on June 23](#), British voters will decide which one of the Old Etonians is right.

The EU is a strange creature. It began with a marriage of six in 1951. Belgium, France, West Germany, Italy, the Netherlands and Luxembourg signed the Treaty of Paris to make another European war “[not merely unthinkable but materially impossible.](#)” Six years later, these six nations signed the [Treaty of Rome](#) to form the European Economic Community (EEC). This community eventually turned into the EU, and the

manageable marriage of six has become an infernally complicated one because 22 others have now joined in.

The UK is perhaps the most troublesome member in the marriage. In the early days, the six original members unsuccessfully proposed to it. In a now discredited but pertinent myth, Russell Bretherton, a former Oxford don and a British official, told delegates negotiating the Treaty of Rome that they were trying to negotiate something they would never be able to negotiate. If negotiated, the treaty would not be ratified. And if ratified, it would not work. Bretherton purportedly parted with these memorable words: “You speak of agriculture, which we don’t like, of power over customs, which we take exception to, and of institutions, which horrifies us. [Monsieur le president, messieurs, au revoir et bonne chance.](#)”

If only Bretherton’s apocryphal words summed up British attitudes, political life in the UK would be strikingly simpler. Throughout its history, this former Roman colony has had a tortured relationship with the continent. Geographically, this island is a part of Europe. Culturally, its elites have modeled themselves after Greece and Rome. The [Grand Tour was once de rigeur for a young English gentleman](#) as a coming of age journey. Politically, it is a different matter. The UK has long looked not to Europe but elsewhere. Its dominions and colonies once spanned the globe. Its interests lay more in India than in Poland.

Vernon Bogdanor, a noted historian at Oxford, points that [Britain was an imperial power ruling over a fifth of the world’s surface](#) until not too long ago. This was the largest land empire in human history. It is little surprise that this island nation lived in “splendid isolation” from Europe for most of the last few centuries. It sunk the Spanish Armada in 1588, [annihilated Napoleon’s Armée du Nord at Waterloo](#), defeated Kaiser Wilhelm II’s mighty troops in World War I, and shot down Adolf Hitler’s Luftwaffe in the Battle of Britain but then retreated to its shores.

Queen Elizabeth II’s magnificent realm has a very different memory and narrative to the rest of Europe. France, Germany and others emerged from World War II with defeat, disgrace and doubt. The UK came out of the war with its honor intact and still celebrates this time as its [“finest hour.”](#) When its neighbors descended into the depths of darkness, this green and blessed isle fought for “the survival of Christian civilization” and “long continuity of its institutions” alone.

When speaking about institutions, Winston Churchill was engaging in magnificent oratory. At the same time, the old man was onto something very real. "[This sceptered isle](#)" has retained the same political regime since 1689. The UK managed to escape the European revolutions of 1789, 1848 and 1917. It relied on cheap food from its colonies, sold industrial goods in captive colonial markets, and invested its fast-multiplying wealth in far-flung places from Latin America to China. Today, the City of London rivals Wall Street and continues to be the global hub of capital.

The UK's greatest asset is stability and continuity. Belgium and the Netherlands assumed their present boundaries in 1830. Germany's current borders date back merely to 1990. National constitutions were drawn up even more recently than European borders. The French Constitution came into being in 1958, the German in 1949 and the Italian in 1947. Spain, Portugal and Greece were under dictatorship until the 1970s. The former communist members only became democracies in the 1990s. These countries are used to making deals and forming institutions. In the UK, this process occurred a long time ago.

Furthermore, the EU is a symbol of democratic respectability for many European nations, including Germany. This is certainly not the case in the UK. Its parliament has been an arena for lively debate and discussion for centuries. The country has been the historic home of those fleeing Europe whether Karl Marx or Prince Metternich. The UK sees itself as a bastion of democracy while many in Britain find [the EU plagued by democratic deficit](#). Hence, the idea that EU rules override parliamentary ones evokes visceral emotion. As [Margaret Thatcher famously pointed out](#), the elected House of Commons could not hand over its powers to a nonelected body in Brussels.

The other countries with such continuity tend to speak English and lie in other continents. Canada, Australia and New Zealand, the white members of the British Commonwealth, derive their common law systems, first past the post voting models and parliamentary traditions from the UK. Even the United States follows common law and has a constitution dating back to 1787.

In the UK, affinity with [the English-speaking peoples](#) runs deep. In the early 1950s, Foreign Secretary Anthony Eden remarked that 90% of letters from abroad to an English village come "from relatives in Australia, Canada, New Zealand, South Africa and so on. Europe was where their relatives who had died in two World Wars were

buried.” It is telling that the UK preens about its “[special relationship](#)” with the US while harboring misgivings about its “special status” in the EU.

Despite its misgivings, the UK is unable to escape Europe. Once, it was part of the Roman Empire and then Christendom. Heeding the call of the pope, Richard the Lionheart traveled all the way to the Holy Land to battle Salah ad-Din Yusuf ibn Ayyub, or Saladin as he is commonly known in the West. More recently, Britain entered World War I for Belgium and World War II for Poland. British upper-classes have long [owned villas in the south of France](#), while those on lower rungs of Britain’s social ladder have been [gobbling up properties in sunny Spain](#). London continues to be the financial center of Europe despite the best efforts of Frankfurt to usurp its place. So, the EU has its charms after all.

In 1947, it was Churchill who gave a typically rousing speech in Zurich, calling for “[a kind of United States of Europe](#).” Although his successors initially spurned the EEC, Conservative Prime Minister Harold Macmillan applied to join it in 1961. French President Charles de Gaulle vetoed the British application first in 1963 and then again in 1967. For the tall French president, Britain was a maritime and commercial power, “linked through her exchanges, her markets, her supply lines, to the most diverse, and often the most distant, countries.” British euroskeptics agree.

The majority of the UK felt differently. This famously pragmatic nation of shopkeepers lacks Gallic pride and kept pushing to join the EEC. In 1973, with de Gaulle safely out of power, the country got its chance. The UK entered the EEC under Edward Heath, another Conservative prime minister. In the [1975 referendum](#), 67% voted in favor of joining the EEC after the three main parties and all national newspapers supported this move. This was a time of oil shocks, inflation, unemployment, strikes and power cuts. The EEC held out promises of economic gain that have never entirely been fulfilled. Right from the outset, Europe divided both major political parties. The Labour Party split in 1981 when pro-Europeans formed the Social Democratic Party. Anti-Europeans led by Michael Foot disagreed with Thatcher, their *bête noire*, on everything except Europe.

In 1988, Thatcher gave an iconic speech, rejecting “[a European super-state exercising a new dominance from Brussels](#).” Her call for free markets, trade and reduced government intervention has now become an article of faith for euroskeptics. On [Black Wednesday in 1992](#), the pound crashed from the European Exchange Rate. It remains

a burning memory, and euroskeptics point out that it was a glorious day in the long-run because it returned control of monetary policy to the UK. A devalued pound enabled the British economy to emerge out of recession and ushered in a period of growth that only ended with the Great Recession in 2008.

[Many in the Conservative Party](#) and everyone in the United Kingdom Independence Party (UKIP) support leaving the EU. Some of them have imperial hangovers. Others have island mentalities. But euroskeptics have a point. The modern managerial style of European politics lacks leadership. It lacks courage, vision and imagination. No longer is there a place in the European capitals for a Winston Churchill or a Charles de Gaulle.

Cameron has won [concessions far short of his claims](#). He wants to continue the UK's open marriage with the EU with special lovers like the US on the side. The time has perhaps come when the British can no longer continue to muddle through. There are fundamental questions to answer and difficult choices to make. The referendum, to misquote the Duke of Wellington yet again, promises to be "a damn close-run thing."

\*Available online at [Fair Observer](#)



## Peace For Our Time

February 28, 2016

*As economic woes continue and people stream into Europe, Russia and the US reach an agreement on Syria that is unlikely to work.*

This week, the pound plummeted. It had its worst week since the recent financial crisis. The United Kingdom's [troubled marriage with Europe](#) faces a real potential for divorce. Its current account deficit is growing, setting off alarm bells. Already, the pound has fallen to under \$1.40 and Deutsche Bank estimates it will [sink to \\$1.28 by the end of the year](#).

Chinese stocks also kept falling. The [Shanghai Composite Index has declined by 24%](#) this year already. The Chinese renminbi lost value *vis-à-vis* the US dollar. China's slowdown has ominous implications for the rest of the world. There is real fear now that the use of loose monetary policy to prop up the economy might be reaching its limits. There are limits to fiscal policy too, particularly for aging countries burdened with debt. Large numbers of people are fleeing or migrating to some of these aging debtor nations. As per the International Organization for Migration, [more than 110,000 people have arrived in Greece and Italy](#) so far. In 2015, the figure for new arrivals until July was around 100,000. People are risking death by drowning as they cross the Mediterranean Sea while Europe faces a big crisis.

In the midst of these developments, Russia and the United States reached an agreement on the cessation of hostilities in Syria. Diplomats are suitably pleased that they have an agreement on Syria for the first time since the country imploded into a bloody civil war. [The United Nations Security Council \(UNSC\) unanimously approved it](#). The UNSC resolution aims to install a transitional government in the first six months and envisages elections within the next 18 months. To many the agreement represents "[peace in our time](#)."

Yet the agreement is deafeningly silent on the fate of Syrian President Bashar al-Assad. It also fails to mention which opposition groups will engage in peace talks. What we know is that there will be no peace with the Islamic State and Jabhat al-Nusra. This agreement is no modern day Treaty of Westphalia that will bring to an end what this author has called [the Middle East's Thirty Years' War](#).

The agreement is flawed in its assumptions and wishful in its thinking. The Syrian state is dead. It was a product of Sykes-Picot agreement between the British and the French to divvy up the Middle East. They drew arbitrary lines on the map and created centralized states with overbearing capitals and a web of patronage. Native successors to the British and French masters ruled with an iron fist, but the smoldering volcanoes have erupted in the region.

When the Americans got rid of Saddam Hussein, they unleashed civil war in Iraq. Democracy does not automatically spring up in deeply divided postcolonial states with no institutions. Dour Scots from state schools might not like cavalier English Etonians, but they have been arguing with each other for more than 300 years in the British Parliament.

Iraq has a different legacy to the blessed green isle of Britain. In its infancy, more than 100,000 armed tribesmen rebelled against British rule. This [1920 uprising](#) was quelled by dropping 97 tons of bombs, firing 183,861 rounds and killing nearly 9,000 Iraqis. The British spent more to crush this uprising than they did to support the Arab revolt against the Ottomans inspired by Lawrence of Arabia. In this season of Oscars, it is pertinent to note that no one is likely to make a film on this 1920 Arab uprising.

This uprising is important for another key reason. The British had long been past masters at bringing rebels to heel. In the history of the empire, as Jeremy Paxman memorably puts it, “rebellions were always met with savage retribution.” Winston Churchill was then secretary of state for war and air. He was “strongly in favor of using poisoned gas against uncivilized tribes” to “spread a lively terror.”

Arthur Harris, who later came to be known as “Bomber Harris” or “Butcher Harris,” was commanding the 45 Squadron in Iraq. He more or less invented the heavy bomber by adding bomb racks to Vickers Vernon troop carriers. He also came up with night “terror” raids. In World War II, he would put lessons of Iraq to good use by bombing cities like Hamburg and Dresden, and [killing 600,000 mostly civilian Germans](#).

In 1921, John Adrian Chamier, the father of the Air Training Corps, was serving in Iraq too. He posited that the best way to demoralize local people was to concentrate bombing on the “most inaccessible village of the most prominent tribe which it is desired to punish. All available aircraft must be collected the attack with bombs and machine guns must be [relentless and unremitting and carried on continuously by day and night, on houses, inhabitants, crops and cattle](#).”

Local dictators like Saddam Hussein and Bashar al-Assad have taken to heart the lessons of their former colonial masters. Saddam conducted [genocide of the Kurds](#) and [massacred Shia Marsh Arabs](#) during his time in power. Assad has [used chemical weapons](#) like Saddam. His Russian allies have taken a leaf out of the British playbook and bombed Aleppo with gusto, targeting civilians to drive them from their homes and teach them a lesson.

Borders are meaningless in the current conflict. Iranians are helping Assad by providing Shia troops from Iran, Iraq and Afghanistan. The Islamic State was born in Iraq and grew up in Syria in the power vacuum after the uprisings against Assad, and

drew support from desperate Sunnis who found their backs against the wall. This messianic organization was created in Iraq because Sunnis there resented the Shia-led government in Baghdad.

Today, Syria, Iraq and Lebanon are divided along sectarian and tribal lines. Assad, Hezbollah, Iran, assorted Shia and Russia form one gang. The Islamic State with its Sunni supporters forms another gang. The US is the biggest bully in the playground who cannot make up his mind as to which gang is more dangerous. It just wants to return to the age of innocence when order prevailed in the region. Neat lines of its elder European cousins are sacrosanct for the US. Sadly, these silly lines in the sand have been washed away by frothy waves of blood.

After years of bloody civil war, mistrust, suspicion and hatred divide communities. Ethnic cleansing has created monoculture areas. Like [Humpty Dumpty](#), Iraq and Syria have fallen off the wall. All of Uncle Sam's planes, drones, missiles and men will not be able to put them back together again. Yet the US refuses to recognize the *fait accompli* and come up with imaginative new ideas. It persists in selling old wine in new bottles.

Last year, US President Barack Obama declared that Assad would have to leave for Syria to stop bloodshed and enable all the parties involved to move forward in a nonsectarian way. Obama might be right about tensions cooling a wee bit once Assad leaves. However, the real battle in Syria, Lebanon and even Yemen is between Shia Iran and Sunni Saudi Arabia. The former is a theocratic regime with a whiff of democracy. The latter is a [fanatical kingdom with something rotten at its core](#).

Throw Turkey and Israel into the picture along with Russia and the US, and you get a truly explosive cocktail. Add the Kurds and Palestinians to make this cocktail toxic. Do not forget wonderful human beings like British Prime Minister [David Cameron selling "brilliant things" such as Eurofighter Typhoons to Saudi Arabia](#) to shake, not stir things up.

Essentially, the inter-state balance of power has been disturbed and most actors think they can do better. Then there are non-state behemoths like the Kurdish Peshmerga and the infamous Islamic State that has declared a caliphate. At the same time, many states themselves are sputtering.

In the Middle East, things are falling apart. This UNSC resolution cannot hold.

\*Available online at [Fair Observer](#)



# Can the Dragon Keep Breathing Fire?

March 6, 2016

*China's current economic model has run its course, and the country needs innovative ideas instead of yet another stimulus.*

The [Chinese](#) economy has been breathing fire since Deng Xiaoping initiated market-oriented reforms in 1979. Since 2015, the Chinese economy has sputtered. Its growth rate was a mere 6.9%, a 25-year low. This author predicted that the Chinese slowdown would make the world economy wobble and [“lead to declining trade, growth and returns to capital.”](#) The wobbling global economy in turn is inflicting much pain on China as [“factory closures, mergers and relocations”](#) increase.

Thousands of workers are losing their jobs. Those lucky to retain employment find their wages slashed. Naturally, China is experiencing labor unrest. As per [China Labour Bulletin](#), strikes have increased from eight in January 2011 to 503 in January 2016. Needless to say, Chinese leaders are nervous. This week, China's National People's Congress began its annual meeting. Premier Li Keqiang made global headlines by announcing that China would target a growth between 6.5% and 7% for 2016. It is the first time Chinese leaders are targeting a range instead of a specific figure. Yet most informed observers believe that this figure is a touch too high.

In January, [exports fell by 11.2% and imports by 18.8% compared to last year](#). In the same month, this author explained how the [current global economic model is in crisis](#). Ballooning debts, vanishing jobs and growing inequality are leading to turmoil across the world. The rise of Donald Trump and Marine Le Pen reflects the economic malaise afflicting the rich world. Debt-fueled consumption can no longer go on.

Chinese leaders have recognized this fact by setting no trade target. Last year, they set a target of 6% growth only to face humiliation when both exports and imports contracted. Yet Li is guilty of hubris for declaring that [the Chinese economy will grow at an average annual rate of 6.5% till 2020](#). He has gone on to say: “By that time, our economy’s size will have exceeded 90 trillion yuan.” True to form, *The Economist* remarked with damning irony: “Omniscience is a wonderful thing.”

Chinese growth targets and figures have long been fishy. Since 1990, [actual growth rates have miraculously overshoot or matched targets](#). This implies either extraordinary foresight on the part of policymakers or crafty massaging of economic data. This time, Chinese leaders are setting a high bar when the global economy is floundering. This means they will have an incentive to overestimate growth to save face.

Such a high target range reveals that Chinese leaders have reposed absolute faith in [Keynesian pump priming](#). They are making big fiscal and monetary decisions to keep growth going. The deficit will increase from 2.3% to 3% of gross domestic product (GDP) that is [now over \\$11 trillion](#). This is a huge \$330 billion stimulus to keep the economy going.

This stimulus follows hard on the heels of the one after the 2008 Great Recession. On November 9, 2008, [China launched a 4 trillion yuan \(\\$586 billion\) spending initiative](#). Ten sectors, including health care, education, transport, roads, railways and other infrastructure projects, were earmarked for this largesse. The government opened credit taps for these sectors and China’s rapid growth continued.

Now, growth is slowing down and the party has come to an end. This terrifies the Middle Kingdom where emperors have long been dethroned by rebellions from [the Red Eyebrows](#) to [the Red Turbans](#). These two rebel forces overthrew emperors roughly 2,000 and 650 years ago. Mao Zedong’s Red Army itself captured power because of peasant support. The [princelings](#) in the Chinese Politburo vividly remember what their grandfathers did to those in power.

The new stimulus is an attempt to keep China’s economic engines whirring and avoid unrest. China’s leaders are abandoning grand projects and embracing tax breaks to boost the economy. Supply side economics posits that people spend more when they have more money in their pockets. This will boost entrepreneurial and efficient private

companies instead of slothful state behemoths. The only trouble with this assumption is that animal spirits in China are ebbing low.

China's addiction to stimulus packages has roots in its past. Its leaders are haunted by the failures of Mao, the collapse of the Soviet Union and Tiananmen Square. The princelings know too well that they lack the moral authority of Mao and Deng. They are not revolutionary veterans of [the Long March](#). The princelings have led cushy lives, studied at elite universities like Tsinghua and are as privileged as Old Etonians like British Prime Minister David Cameron. Unlike Cameron, they do not preside over the Conservative Party. They are the big bosses of the Chinese Communist Party (CCP) and heirs to a revolution that aimed to create an egalitarian society in a deeply unequal land.

Today, hardly anyone in China believes in that egalitarian ideal. In an [infamous television show](#), a young girl rebuffed a poor suitor with a quip that she would rather cry in the back of a BMW than smile sitting on a bicycle. Materialism rages in the Middle Kingdom now that Karl Marx's materialistic philosophy promised a classless society that has failed to materialize. Instead, even the [International Monetary Fund \(IMF\) is worrying about income inequality](#) in the Middle Kingdom. Once upon a time, Deng declared that to be rich is glorious and, by some estimates, [the number of Chinese billionaires now exceeds American ones](#). Those who are left behind do not feel so glorious.

All the perfumes of Christian Dior still fail to stir Chinese souls. The Cultural Revolution decimated Confucian traditions and there is a spiritual void in Chinese society. Christianity, the supposedly evolved religion of Europe and the US, is filling this void. Devout Christians are starting to throw a gauntlet to the atheists who rule China. This is making CCP leaders nervous.

On February 26, [Bao Guohua was packed off to prison for 14 years](#) for refusing to remove the cross from his church. This pastor in Zhejiang province was found guilty of embezzling money from his congregation and of inciting people to disturb social order. His wife was also sentenced to prison for 12 years. For many, white Jesus is replacing native Mao as the new god of salvation. The leaders of the CCP have no clue as to what to do.

In an increasingly uncertain world, Chinese leaders are like [the six blind men groping an elephant](#). Last year, they [threw good money after bad when Chinese stocks dived](#). They did the same when they bailed out real estate companies, mirroring bank bailouts in the US. In both countries, robber barons took risks and walked away with big profits, while taxpayers provided these barons insurance and absorbed private losses.

In any case, in the land of [guanxi](#), those connected to CCP leaders are in pole position to reap rich rewards. If party bosses seize land from peasants for development, their relatives are likely to profit from ensuing construction projects. At its essence, China is suffering from a massive transfer of wealth from the many to the few because of corruption and crony capitalism.

[Bad debts in China amount to trillions of dollars](#). They are the Middle Kingdom's worst kept secret and a real threat to the country's financial system. Those with *guanxi* with officials and bank bosses are able to get loans easily and then default on them with impunity. The rest of the country lives frugally and saves diligently only for banks to spray its money wastefully. In January, [new lending by Chinese banks amounted to 2.51 trillion yuan \(\\$385 billion\), smashing all past records](#). This is madness. China might end up with [zombie banks](#) just like Japan and Europe.

China has made catastrophic economic choices before. Mao's Great Leap Forward led to economic regression from 1958 to 1962. Forced collectivization of farms and harebrained schemes of industrialization led to a famine that killed millions. As Beijing-based [Helen Gao points out](#), even Chinese history textbooks call this time Three Years of Natural Disaster. China's new stimulus is another economic blunder albeit not quite of the scale of Mao's.

In 2007, this author observed that [China's bad debts, excessive investment and terrible return on investment were unsustainable](#). Today this is truer than ever. Air, water and soil pollution are imposing a cost on future generations that cannot be quantified or measured. The catastrophic environmental damage that economists dismiss as externalities is threatening people's health and wellbeing. Last year, [tragic explosions in Tianjin sent seismic shocks 160 kilometers away](#). They demonstrated the dire risks accompanying the biggest and fastest industrialization in human history.

Chinese leaders have to realize that their debt-fueled stimulus is dangerous. They cannot keep kicking the can down the road and delaying the readjustment of China's

economy. To avoid the fate of Chinese dynasties that crumbled in the past, the princelings have to be bold. The Middle Kingdom needs innovative economic models and new political institutions. Only then can the dragon keep breathing fire.

\*Available online at [Fair Observer](#)



## Super Mario's QE and Lula Meets Police

March 13, 2016

*Institutional reform is the need of the hour as central banks reach the limits of monetary policy and interest groups hijack fiscal policy.*

This week, the rather colorless European Central Bank (ECB) took center stage. On March 10, ECB President Mario Draghi announced [a surprise stimulus](#). The ECB cut its main interest rate from 0.05% to 0%. It also cut its bank deposit rate, from -0.30% to -0.40%. Starting April, the ECB will expand its [quantitative easing \(QE\)](#) program from €60 billion to €80 billion month. In a historic first, the ECB will buy corporate bonds under its QE program, releasing credit directly to businesses. It is also starting a bold new bank lending program.

Stocks rose when news of the stimulus broke. Yet this optimism was short lived. Draghi, an Italian who is often called Super Mario, appeared before news media to downplay the likelihood of further rate cuts. [Markets turned skittish](#) when they heard what Draghi had to say. The FTSE ended up 1.8% lower, Paris closed 1.7% lower and Frankfurt fell by 2.3%. The euro that had initially fallen by 1.6% against the US dollar to \$1.0822 rose to \$1.1218 by the end of the day.

The rollercoaster market reaction is telling. Markets are banking on continued QE to keep the party going. They assume that QE will keep releasing increasing amounts of money into the economy. This will pump up asset prices and lower cost of capital for businesses. In theory, QE will restore confidence and encourage economic activity. In reality, as this author pointed out in 2015, those who own [apartments in New York and shares of Facebook are laughing](#) all the way to the bank.

Those who do not own assets and live by selling their labor, or what Karl Marx called labor power, are not doing so well. Inequality is soaring and central banks have long been [caught between the Scylla of a bubble and the Charybdis of a recession](#). Draghi has decided to throw the kitchen sink of all sorts of monetary measures to stave off recession. But his unwillingness to declare that he will keep [refilling the punch bowl](#) has caused markets to panic. Draghi, who once worked for Goldman Sachs, is no longer Super Mario anymore.

The Italian has come head to head with a simple problem. His big bazooka is no longer working. In January, this author pointed out that many believe that [QE might have reached its limits](#). Merely printing ever more quantities of cash is not enough to get the economy going. Neil Irwin of *The New York Times* rightly observes that a protracted period of negative rates could cause people to withdraw [money from banks and throw the business models](#) of banks into chaos. After all, why would you pay banks to keep your cash if you could safely lock it up in a vault for less or for free?

It is little surprise that Barry Eichengreen, a rather famous economist, believes that [negative interest rates are impairing the health](#) of the banking system. He proposes [boosting public spending](#) instead. Sadly, that too has its limits as the [huffing and puffing of the Chinese dragon](#) demonstrates. The world is already [awash with debt](#). Much of it as in the case of Greece cannot be repaid. Besides, building more roads in China or paying public sector workers for doing little in France might not work for too long.

It is important to remember that public spending can work when leaders act wisely. In times when confidence ebbs, societies need direction from leaders who possess judgment. The world has little leadership today because political leaders act in the modern managerial style of Harvard Business School and McKinsey. Ideas are distrusted and processes are prized. Expediency and conformity are the name of the game. Received wisdom and opinion polls dominate. To borrow a phrase from Lee Kuan Yew, political leaders today are [just catching the wind and are going where it takes them](#).

Eichengreen is right in arguing for greater investment in research, education and infrastructure. Both he and this author have taught at the University of California, Berkeley. This university has now been gutted. The Californian public education

system was once the envy of the world. Today it is severely underfunded. Yet more money alone will not solve the university's problems.

Eichengreen's university has pottered too far along what Friedrich von Hayek called "the road to serfdom." Its bureaucracy is like a boa constrictor, careerists outnumber those who love the life of the mind and teaching is often terrible. Money is misallocated terribly and the waste is gargantuan. Putting more money into the university without reforming it will only benefit entrenched interest groups. It may improve research, but it will fail to deliver better education to its thousands of neglected students. Besides, many will argue that the money ought to go to struggling high schools instead of a university that is packing off its best minds to Facebook.

Berkeley epitomizes the problems of the new global economy. There are no silver bullets left. Individuals are confused, societies are divided and governments have become sclerotic. Public spending might be the need of the hour, but it has been hijacked by special interests. The US is infamous for [earmarks](#) and [boondoggles](#). Not only Washington, DC, but also state capitals like Sacramento and Richmond are now far too removed from the lives of the people. Elected representatives fight for the narrow interests of their core supporters and to please their donors because these are the two core groups that determine their re-election.

Those who enter government to reform it find the system eventually wears them down. This author has a well-meaning friend in the US Congress. Every two years, he faces elections in a swing seat. Hence, the poor fellow is always fundraising if not campaigning.

The average amount a congressman spent in [the 2012 elections](#) was over \$1.5 million and the most expensive campaign cost more than \$21 million. This certainly causes conflicts of interest if not outright corruption. Furthermore, few congressmen manage to find time to do their real jobs such as legislating or scrutinizing the actions of the executive.

Over time, institutions often decline. Short-term thinking and private interests start subordinating long-term public interest. This is certainly the case in Washington, DC today. If the worthies in the US Congress were to heed Eichengreen and increase public spending, they are likely to shower their benefactors with goodies. Even money

ostensibly going to rebuild the woeful and crumbling infrastructure of the US might end up funding projects like the [“bridge to nowhere.”](#)

Truth be told, the US and all modern democracies face two big challenges. First, how do societies fund elections? Second, how do elected representatives spend taxpayer money?

In the US, the crowdfunded Bernie Sanders and the self-funded Donald Trump provide two answers different to the *status quo*. Both are reactions to the Bushes and Clintons. When members of these two dynasties were in power, they appointed former CEOs of Goldman Sachs as big bosses of the US Treasury. People fear more of the same. Not without justification, many believe that appointing the fox to guard the hen house may not be such a good idea.

Brazil is also struggling with the same challenges. Luíz Inácio Lula da Silva, a former president, is in trouble. On March 4, the police detained him for questioning. He has fallen prey to the long-running [Petrobras corruption scandal](#) that is causing massive upheaval in Brazilian politics.

At its core, the scandal is straightforward. Petrobras is a state-owned oil company. It overpaid construction companies. These companies then transferred some of the money to company executives and to politicians of various parties, including Lula’s Workers’ Party. This money financed political parties and their campaigns. Some of it also ended up in politicians’ private coffers. It is little surprise then that fiscal policy in Brazil does not quite work.

Brazilian prosecutors are [targeting high profile politicians](#) for putting their fingers in the cookie jar. Lula’s former chief of staff is in the dock and so is the treasurer of his party. Even President Dilma Rousseff, Lula’s successor, is under a cloud. The opposition has not fared much better. Prosecutors accuse Eduardo Cunha, Rousseff’s fiercest rival, of pocketing bribes worth \$40 million, and the police have raided his house. Dozens of lawmakers have been arrested.

Just like the US, Brazil has not managed to come up with a half decent way to fund elections. This former Portuguese colony was under military dictatorship until 1985. It remains deeply divided along economic and racial lines. Deep inequities persist and *favelas* proliferate. Brazil’s laws are infernally complex and its political structure is

fiendishly complicated. The [economy is in complete disarray](#) and the Petrobras scandal does not help. Neither fiscal nor monetary policy will solve Brazil's problems. Like the US, the country needs fundamental institutional reforms.

\*Available online at [Fair Observer](#)



## Turkey Guards the Gates of Vienna

March 20, 2016

*The EU's fragile deal with Turkey wakes up old ghosts of the past, causes widespread rebellion and might turn out to be illegal.*

This week, the European Union (EU) and Turkey announced a deal to tackle what the BBC calls "[the migrant crisis](#)" and Al Jazeera terms "[the refugee crisis](#)." The choice of different words by two flagship media organizations from the United Kingdom and Qatar to describe the same phenomenon is telling.

As per most dictionaries, a migrant is a person who moves from place to place to get work. [As per the United Nations](#) (UN), "migrants are people who make choices about when to leave and where to go, even though these choices are sometimes extremely constrained." Any case "where the decision to migrate is taken freely by the individual concerned, for reasons of 'personal convenience' and without intervention of an external compelling factor," makes that individual a migrant.

On the other hand, a refugee is a person who flees for refuge, especially to a foreign country during a time of political upheaval or war. [Article 1 of the 1951 Refugee Convention](#) defines a refugee as someone who "owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality."

As per the UN, migrants "choose to move in order to improve the future prospects of themselves and their families. Refugees have to move if they are to save their lives or

preserve their freedom.” The fundamental feature distinguishing a migrant from a refugee is choice. A migrant chooses to leave, while a refugee is forced to do so.

The BBC and Al Jazeera may define the crisis differently, but what they do agree upon is that large numbers of people are fleeing to Europe. In 2015, [over a million traveled to Europe by sea](#). In 2016, the number has crossed 160,000 already. The European Commission expects [3 million more to arrive by 2017](#).

These numbers seem daunting, but are not terribly high when compared to other countries. As of March 3, 2016, the UN estimates that over [2.7 million Syrians have fled to Turkey alone](#). War-ravaged Lebanon, a country with 4.5 million people as per the [World Bank](#), has absorbed nearly 1.1 million Syrians while the unofficial figure is much higher. [With over 6.6 million people](#), Jordan has absorbed a comparatively meager 636,000 people as of March 16. Even Iraq, a country in the midst of a bloody civil war, has taken in over 246,000 Syrians as of February 29.

Saudi Arabia, [Iran](#), Kuwait and other Gulf countries, many of which are oil-rich, have kept their doors closed to Syrians. They are now coming to Europe, as are others from countries ridden with strife. [As per the BBC](#), Syria, Afghanistan and Iraq provided the greatest number of asylum seekers in 2015.

It is certain that some people making their way to Europe are migrants. However, it is clear from the numbers, the timing and the origins of people making their way to the continent that most of the new arrivals are refugees. Apart from Germany, most of Europe is suffering from ridiculously high unemployment. Besides, the rise of unsavory characters like [Marine Le Pen](#) and [Heinz-Christian Strache](#) does not make Europe a place where too many people with more melanin in their skin might want to live.

It was not always so. After World War II, the Marshall Plan led to a tremendous economic boom. Hundreds of thousands made their way [from India, Pakistan and the West Indies](#) to the UK starting from the 1950s. North Africans and others from former French colonies made their way to *la grande nation*. Even Germany that had cleansed itself of “dirty Jews” through a horrific Holocaust ended up bringing in *gastarbeiters* in the 1960s. These guest workers never left and [many now believe that letting so many of them into Germany was a mistake](#).

Europe, a land of nation states where “[un roi, une foi, une loi](#)” (one king, one faith, one law) has long held sway, does not quite have the appropriate *terroir* for diversity or multiculturalism. For all its internal conflicts, [Europe has seen itself as Christendom](#). Spain had no place for the enlightened Muslim Moors of Córdoba. France could not find a place in its heart for industrious Protestant *Huguenots* who were chased out of their homes. Even England, the more tolerant of European Christian nations, only allowed members of the Church of England into Oxford and Cambridge in 1871. European persecution of Jews is only too well-known to need no further elaboration.

The horrors of World War II did not entirely change Europe’s attitudes. Since 1951, Europe’s nation states have been tying an ever tightening knot to create the modern European Union (EU) to make another European war “[not merely unthinkable but materially impossible](#).” Yet the Netherlands used [money from the Marshall Plan](#) to try to recolonize Indonesia, the UK [killed and tortured Kenyans](#) in crushing the Mau Mau uprising, and France tried to remain *la grande nation* by behaving with caprice and cruelty in [Algeria](#). In Vietnam, the French arrested, tortured and killed [General Vo Nguyen Giap](#)’s wife, father, [sister and sister-in-law](#).

Europeans may not be sailing out to conquer the world to fulfill their duty of [mission civilisatrice](#), but many retain an abiding belief in the superiority of their civilization. The influx of new people in large numbers is making them insecure at a time when they are having misgivings about their largely Muslim minorities. To add to the worries of European leaders, their once mighty [economies are now in a funk](#), with job scarcity and low earnings.

To add insult to injury, men of Arab origin robbed and sexually assaulted German women in [terrifying mass attacks this New Year’s Eve](#). Worse, authorities tried to sweep these attacks under the carpet. The fear of violent, depraved and ruthless foreigners prowling the streets for innocent young girls sends the public into paroxysms of rage.

Therefore, terming the new arrivals on European shores migrants instead of refugees allows Europeans to take a tougher stand against them, without feeling qualms about being too hardhearted. To be fair, Europe is in a bind. It has tried to overcome the destructive ethnic nationalism that led to two world wars and replace it with a form of civic nationalism that prizes human rights, democracy and rule of law.

This new sense of self necessitates a kinder and gentler disposition. But ghosts of the past are proving hard to bury, and atavistic characters from France to Hungary are testing this inchoate identity. They remember the Battle of Tours and the sieges of Vienna. They fear the new people from North Africa and the Middle East as a potential fifth column with their [headscarves](#), [halal meat](#) and [fast-growing population](#). With [increasing numbers of Europeans joining the Islamic State](#) and Paris-style terror attacks coming to the fore, Europeans are profoundly nervous about welcoming newcomers to their societies.

German Chancellor Angela Merkel and European Council President Donald Tusk have come up with a response. They have concluded a deal as per which all those who hop over from Turkey to Greece without documentation will go right back. For everyone who is sent back, a Syrian living in Turkey will be resettled in the EU.

This is not all. Turkey was induced to agree by three huge carrots. First, Turkish citizens will be able to travel without visas to the EU. Second, the EU will shell out \$3.3 billion to Turkey and might give it more aid. Third, talks will restart regarding EU membership for Turkey.

This is a momentous deal that took Europe by surprise, and [Mark Mardell of the BBC observes](#) that “left and right, ancient and modern, north and south” have come together to rebel against it. Even the normally placid UN announced that the policy could be illegal.

Turkey creates misgivings in the minds of Europeans of multiple hues. Those on the left are deeply uncomfortable with the [increasing authoritarian rule of President Recep Tayyip Erdoğan](#). Erdoğan’s [viselike grip on the media](#) is tightening and his [treatment of the Kurds is frightening](#). Far too many find Merkel’s deal with Erdoğan an act of desperation.

Those on the right are not too fond of this deal either. Former French President Valéry Giscard d’Estaing once declared that Turkey’s entry into the EU would be “[the end of Europe](#).” Nicolas Sarkozy, another former president of France, has declared that [Turkey has no place in Europe](#) and anyone who regards Turkey to be “culturally, historically, and economically” part of Europe actually wants the European Union’s death.”

Former Ottoman dominions such as Hungary, Bulgaria, Romania, Greece and the Balkan nations retain lingering suspicion of Turkey. Hungarian Prime Minister Viktor Orban is decrying the “[secret pact](#)” as part of a plot to create a super state. He wants to “[put the brakes on Brussels](#)” and declared “that the arriving masses from other cultures are a threat to our way of life, our culture, our habits and our Christian traditions.”

Yet the new sultan has convinced some Europeans that he is their best bet in confronting the Islamic State and tackling their “migrant crisis.” The land that once gave Europe the *croissant* is now to guard the gates of Vienna.

\*Available online at [Fair Observer](#)



# Obama Visits Cuba to Salsa With Castro

March 27, 2016

*President Obama makes history by traveling to Cuba and urging “the people of the Americas to leave behind the ideological battles of the past.”*

After years of deep freeze that began with the Cold War, relations between Cuba and the United States are finally warming up. In fact, President Barack Obama visited Cuba to signal a historic shift in the relations between the two countries. Only once before has an American president visited Cuba. That was in 1928 when Calvin Coolidge turned up in Havana. In the US, the stock market was soaring, inequality was growing and alcohol was prohibited. Unsurprisingly, [Americans flocked to Cuba to enjoy whiskey, rum and cocktails](#) in a land where alcohol flowed freely.

[Speaking at the Gran Teatro at Havana](#), Obama spoke emotively about burying the last remnant of the Cold War and extending “a hand of friendship to the Cuban people.” He candidly admitted that the change in US policy occurred because what his country “was doing was not working.” In the past, [the Cuban Missile Crisis of 1962](#) nearly brought the world to the brink of nuclear war. Although there is no longer a threat of war, deep differences still remain between the two countries.

Yet the US and Cuba have a lot in common. As Obama pointed out, both countries were created in the New World as colonies of the Europeans. In fact, both their histories begin with Christopher Columbus. This Italian arrived in a Spanish-sponsored voyage to the New World, landing in the Bahamas and exploring a bit of Cuba. Columbus never made it to the land that now comprises the US even though Columbus Day is celebrated merrily in the land of the free and the home of the brave.

The arrival of Columbus was an unmitigated disaster for Cuban natives. The Papal Bull of 1493 commanded Spaniards to conquer the natives who had to be "[brought to the faith itself](#)" and gave their rulers absolute ownership of the Americas. Now, the Spanish *conquistadores* proceeded to butcher natives with a ferocity that makes modern African warlords appear like weak wallflowers. Slaughter, rape and robbery were par for the course.

Bartolomé de las Casas kept [a contemporaneous record of the horrors that devout Christians inflicted on pagan natives](#). Guarionex was a "dutiful and virtuous" king who sent gourds filled with gold to Spain. When there was less gold available, he suggested cultivation of a large tract of land by his people that would give Spain an annual income of 3 million *castilians*, gold coins weighing 1.6 ounces. Instead of accepting Guarionex's offer, Spanish *conquistadores* raped his wife, attacked his people, captured him and packed him off on a ship to Castile.

Casas observed that the local people "behaved as honorably as might the inmates of a well-run monastery, and for this they were robbed and massacred, and even those who escaped death on this occasion found themselves condemned to a lifetime of captivity and slavery." He recorded that the Spaniards "burned countless local inhabitants alive or hacked them to pieces, or devised novel ways of torturing them to death."

The genocide of the natives was soon followed by bringing in African slaves to work in plantations. So far, colonization of Cuba mirrored that of British colonies in North America that went on to become the US. As Obama pithily said, both societies "trace their heritage to both slaves and slave-owners."

President Obama did not and could not expand upon the historic differences between the two nations because he was giving a diplomatic speech. Cuba was run by Spain on

the principles of mercantilism and Catholicism. North American colonies were influenced by British ideas of free trade and Protestantism. Unlike Cuba, they were loosely governed and largely had self-rule. Whilst Cuba produced its sugar for Spain, the North Americans were far more embedded into global trade.

After 1776, the US emerged as an independent nation. Cuba remained a colony that loyally served the Spanish Empire till 1868. Only then did a vigorous independence movement begin. Obama paid tribute to José Martí who fled to New York and became an apostle of independence. Martí was killed by the Spanish in 1895, but his death inspired rebellion instead of submission.

Even *reconcentrados*, [Spanish forerunners to modern-day concentration camps](#), could not break the Cuban spirit. Eventually, the US intervened in 1898. It sent troops to fight Spain. Some volunteered to fight such as [the legendary “Rough Riders” led by Theodore Roosevelt](#). To use Obama’s words again, the US came to liberate but it also wanted to exert control.

Many expansionists [dreamt of incorporating Cuba into the US](#) and they managed to get their government to try to buy it from Spain. These attempts did not succeed, but [the US retained the right to intervene in Cuban affairs even after the country attained independence in 1902](#). To quote Obama one final time, “Americans saw Cuba as something to exploit, ignored poverty [and] enabled corruption.”

In retrospect, revolution was inevitable. Cuba was a deeply exploitative society run rapaciously by the descendants of *conquistadores*. This lily-white *comprador* elite served the interests of American multinationals, politicians and [even members of the mafia](#) instead of serving its people. Yet when the revolution arrived in 1959, it caught everyone by surprise.

By now, Uncle Sam had overthrown Iranian Prime Minister Mohammad Mosaddegh in a coup in 1953. It had [backed the brutal British repression of the Mau Mau Revolt in Kenya](#). Joseph McCarthy had conducted [witch hunts](#) in which he saw a communist under every bush. For a communist uprising to succeed barely 90 miles from Florida was terrifying to US leaders. Presidents from Dwight D. Eisenhower and John F. Kennedy to Bill Clinton and George W. Bush tried to demonize Cuba.

The US has managed to strangle the Cuban economy like a boa constrictor but has been unable to swallow its prey. Cubans have managed to survive the US-imposed embargoes. They may drive antique cars and their buildings might be crumbling, but their education and health care systems are the envy of richer economies. Cuban doctors have served Brazil, Venezuela, West Africa and other parts of the world. Even the US has come to grudgingly admire the quality of Cuban doctors.

The Cuban Revolution of 1959 has iconic status in world history. It occurred because far too many were exploited for much too long. Fidel Castro and Che Guevara became global cult figures because they stood up to a country that practiced segregation at home and supported apartheid abroad. Over five decades have passed and the revolution has racked up some solid achievements. Cubans have food on their table, decent schools to study in and good doctors to go to. As per the World Bank, [poor Cubans live as long if not longer than their rich American counterparts](#).

Yet all is not well in this communist paradise. The regime is repressive. Critics end up in jail. The press is muzzled. Young people chafe against restrictions on their daily lives. Raúl Castro has taken over from his brother and he is a sprightly 84-year-old. One party rules the roost and there is no opposition worth the name. Many Cubans vote with their feet and still immigrate to the US.

The US is in thick soup itself. Inequality is rising. Public education is declining. Social mobility is falling. The role of money in elections is scandalous. Many Americans are angry. Donald Trump and Ted Cruz do not make edifying examples of American democracy. The new enemies of Uncle Sam are in the Middle East and even the Far East. Continuing a ding-dong skirmish with Cuba no longer makes sense. After concluding a deal with Iran, Obama has turned up in Havana to salsa with Castro.

The US and Cuba come from two very different histories and ideologies. They are both facing fundamental questions regarding government, economics and society. Cuba has embraced Karl Marx's theories with zeal even as the US has adopted [market fundamentalism](#) as its guiding principle. Gautam Buddha, better known as the Buddha, once stressed upon the middle way as the path of wisdom. Bit by bit, Cuba and the US seem to be getting there.

*\*Available online at [Fair Observer](#)*



# Yes, Nuclear Terrorism is a Real Threat

April 3, 2016

*Withering states with weakening writs, along with the rise of inequality and anger, imply that humanity has to prepare for the possibility of nuclear terrorism.*

Terrorism is in the news a lot these days. Beautiful European capitals like Paris and Brussels have been attacked. Historic cities in the Middle East like Baghdad and Aleppo have suffered carnage. A splinter group from the Taliban struck Lahore in Pakistan, once home of the Mughals, at the end of March. Even [idyllic places in Africa](#) have not been spared.

Paul Ashley, a retired professional from the British Armed Forces, has mused that [2016 could be the year of terrorism](#). Many worry about a “[dirty bomb](#)” that might combine conventional explosives with radioactive material. Two of the bombers involved in the Brussels attacks appear to have [monitored a senior researcher who worked at a Belgian nuclear center](#).

This week, US President Barack Obama hosted the Nuclear Security Summit and fretted about mad men getting “[their hands on a nuclear bomb or nuclear material](#).” A 2014 report by the [Nuclear Threat Initiative](#) (NTI) estimated that “nearly 2,000 metric tons of weapons-usable nuclear materials remain spread across hundreds of sites around the globe.” The NTI report points out that some of these sites are poorly secured and that terrorists might have acquired the ability to build a bomb.

Obama focused on the Islamic State (IS) during his remarks to the summit. He pointed out that IS “[continues to lose ground](#).” The organization is hemorrhaging men, material and money. Incessant pounding by airstrikes have decimated its oil infrastructure, slowing revenues to a trickle. [Syrian troops have recaptured Palmyra](#), the stunning ancient city that IS damaged with fanatic ferocity. The so-called caliphate of the Islamic State is shrinking by the day, but the ideas it represents live on.

Attacks are taking place with disturbing regularity in different parts of the world. It is unlikely that IS operates a global command and control center coordinating attacks. What is definitely true is that many young Muslim men are inspired by this fanatical organization and are emulating its methods.

Disaffected young men who feel marginalized can often be harmless. However, once they feel extreme injustice and are exposed to toxic ideology, they can be deadly dangerous. Once these young men have a belief to live for and die for, they have few limits. This is not a new phenomenon. [Maximilien Robespierre launched the Reign of Terror](#) more than 200 years ago in the name of justice and virtue. He was in many ways the father of modern terrorism. By the second half of the 19<sup>th</sup> century, terror became a political tool for those who were fighting for justice, equality and political change. Rulers continued to resort to repression.

Terrorism increased in the 19<sup>th</sup> century because of severe political, social and economic strain. It is the same today. A scandal that has been breaking out at the time of writing this demonstrates how the [rich and powerful use tax havens to launder money and evade tax](#). The global [economic model is flailing if not failing](#). A debt crisis and a chronic lack of jobs are hobbling the economy. Inequality is increasing and social contracts are fraying.

There is real and palpable anger among people who feel cheated. In Europe, the far-right is gaining ground. In the United States, [Ted Cruz of machine gun bacon fame](#) is exuding machismo. Bailing out of banks resulted in wealth transfer from the poor to the rich. Quantitative easing has increased inequality exponentially. In poor countries, rigged privatizations, politically directed bank loans and crony capitalism have resulted in new societies of masters and slaves. In Afghanistan, Iraq and Syria, thousands of families are mourning their dead and aiming to slake their thirst for revenge.

This is an age of anger. Elites are discredited. They have been deemed to be avaricious, arrogant and asinine. Villains, old and new, are popping up. The lazy Arab, the dirty Jew, the African American welfare queen *et al* provide potent examples of this phenomenon. Such widespread anger can easily be directed into violence when fanatical faith or millenarian ideology comes into play.

At the same time, many states are withering. Obama's summit involved more than 50 states but many of them are losing control. Pakistan is a classic example. Nawaz Sharif, the Pakistani prime minister, could not attend the summit because of the [brutal attack on Easter Sunday in Lahore](#). At least 72 died and more than 200 were injured.

This violence is now endemic in the land of the pure. In 2013, Anwar Akhtar detailed how [minorities have faced increasing discrimination and even persecution in Pakistan](#). Pakistan was founded by a Shia lawyer as a homeland for Indian Muslims who were supposed to comprise one nation. That theory was disproved when East Pakistan broke off to form Bangladesh in 1971. In a more recent ironic twist of fate, [Shias are often gunned down in cold blood](#).

How did things in Pakistan come to such a pass?

It all began innocuously enough. The Soviet Union invaded Afghanistan in 1979. The US decided to support the *mujahidin*, holy warriors, who were battling the Soviets. General Muhammad Zia-ul-Haq, the then dictator ruling Pakistan, signed up for the Afghan adventure. From now on, [Saudi money started gushing through Pakistan](#).

Pakistan's Inter-Services Intelligence (ISI) used this money to train the Taliban. The ISI also built a sprawling complex of *madrassas*, mosques, training camps, weapons warehouses and military bases. Today, there are [approximately 24,000 madrassas that educate more than 2 million boys](#). Some of these boys end up joining jihadist groups that operate in Afghanistan and India. These groups now carry out operations in Pakistan as well. The fabled Pakistani deep state has created a Frankenstein it can no longer control.

As of March 2013, Pakistan had [lost 49,000 lives](#) in the so-called War on Terror. The violence continues unabated. As a result, the Pakistani state seems to be losing control. In 2014, Rafia Zakaria wrote a chilling article for *Dawn*, arguably Pakistan's most famous English-language newspaper, on an increasingly repressive country, "equally unable to deliver freedom or justice." She observed that [Mumtaz Qadri was ruling as a prison king and acting as the arbiter of death sentences](#). He was ordering the murders of those suspected of blasphemy.

Qadri was no ordinary criminal. He killed Salmaan Taseer, the governor of Punjab, for defending a poor Christian woman in jail who had been accused of blasphemy. Qadri was finally hanged a little over a month ago, but [more than 100,000 attended his funeral](#). Pakistan's post-colonial state is being stretched to breaking point. Its [incestuous scotch drinking elite](#) runs a closed club. Social mobility in the country has fallen since independence in 1947 like Isaac Newton's proverbial apple.

Pakistanis have lost faith in their elites. Institutions no longer matter. Zahid Hussein, a noted Pakistani intellectual, quoted a general under Zia as saying that [25-30% of officers had Islamic fundamentalist leanings](#). Osama bin Laden spent his last days a stone's throw from Pakistan's mythic military academy.

More pertinently, devout young Islamists are infiltrating the Pakistani state relentlessly. Hence, Pakistan's nuclear material is at great risk of theft or misappropriation. Lest we forget, it was none other than [Abdul Qadeer Khan passed on nuclear secrets to North Korea as well as Iran and Libya](#). Khan is the "father of the Islamic bomb" and a national hero in Pakistan.

As a state, India functions much better than Pakistan. Yet its nuclear material is not as safe as it seems. India's [military is in disarray](#), its [intelligence is in shambles](#) and the [corruption of its bureaucracy](#) is legendary. Its short-sighted elites care little for strategic matters and India's nuclear material is not as safe as it seems.

North Korea makes India look good. Russia makes India look angelic. President Vladimir Putin did not even show up in Washington, DC. With the Pakistanis and the Russians not present, Obama's summit did not quite have the oomph he desired.

The US itself is going through strange times. Donald Trump, the leading Republican candidate, has suggested that South Korea and Japan could do well to have [nuclear deterrents of their own](#) instead of rely on the US. This flies in the face of nonproliferation efforts by the US for decades and [did not leave Obama too pleased](#). To add to his woes, the summit might be living on borrowed time because no US presidential candidate seems interested in keeping it going.

In his early career in the US Senate, [Obama worked with Dick Lugar](#), a Republican senator, to get rid of weapons of mass destruction. States like Ukraine and Azerbaijan participated. Things have changed since. As stated earlier, many states are declining and their writs are weakening. At some point, some crazy group will acquire the knowledge, ability and material to make a dirty bomb. Of course, states have a duty to prevent the making and using of such a bomb, but at some point they will fail. When this happens, the best response for all decent good people around the world has to be to keep calm and carry on.

Sadly, a nuclear terrorist strike is not merely possible or probable. It is inevitable. It is time to start preparing for it.

\*Available online at [Fair Observer](#)



# Taxes, the Rich and the Panama Papers

April 10, 2016

*The Panama Papers reveal the shady shenanigans of elites who use offshore finance extensively and prize private gains over public interest.*

This week, [the Panama Papers](#) came into focus. More than 11.5 million financial and legal records were leaked to the International Consortium of Investigative Journalists (ICIJ). This information belonged to Mossack Fonseca, a shady law firm based in Panama. Its clients include top politicians, billionaires, actors, sports stars, drug traffickers and other crooks.

The ICIJ has analyzed leaked documents to find information on more than 214,000 offshore companies connected to people in more than 200 countries and territories. It turns out 140 politicians and public officials from around the world have offshore holdings. The Saudi king, Pakistan's prime minister and the president of Ukraine are involved.

Russian President Vladimir Putin's associates have stashed away \$2 billion in such holdings. Chinese President Xi Jinping's brother-in-law, former premier Li Peng's daughter and other members of "[the red nobility](#)" have been using "[white gloves](#)" to siphon off money from the Middle Kingdom. Even British Prime Minister David Cameron has been sucked into scandal for artfully dodging taxes, making a mockery of his holier-than-thou calls for tax haven reform. [Sigmundur Davíð Gunnlaugsson has resigned](#) as Iceland's prime minister even though his offshore money holdings seem to be perfectly legal.

The leak of so many documents reveals an inside view of the world of offshore finance for the first time. In this shadowy realm, financiers service the wealthy using lawyers, accountants and consultants to create convoluted structures that hide and protect their wealth. Most offshore finance is legal. Hedge funds and private equity players have long incorporated companies in [Cayman Islands, British Virgin Islands, Bermuda, the Bahamas, Channel Islands and the Isle of Man](#).

UBS hired Mossack Fonseca to set up more than 1,100 offshore companies. HSBC and its affiliates have worked with the firm to create more than 2,300 such companies. More than 500 banks, their subsidiaries and their branches have worked with Mossack Fonseca since the 1970s to create offshore companies. It is important to remember that Mossack Fonseca is only one of the many firms facilitating offshore finance.

These firms are particularly important to businesses that value secrecy. It is little surprise that Mossack Fonseca facilitates Africa's diamond trade and the international art market. [Middle Eastern bigwigs](#) and [India's super rich](#) are among the firm's many clients. Two kings, Mohammed VI of Morocco and Salman of Saudi Arabia, have used Mossack Fonseca to buy luxury yachts. Lionel Messi and [FIFA](#), football's governing body, are also using this little-known firm.

Not only can offshore finance be murky but it is often also illegal. Shadowy methods are frequently used to stash ill-gotten proceeds of corruption, criminal activity and fraudulent tax avoidance. Mossack Fonseca's customers have included Ponzi scheme artists, criminal drug lords and at least one jailed sex offender.

This firm from Panama seems to be a favored *consigliere* of the rich and powerful. Yet it has not entirely succeeded in avoiding trouble. In February 2015, [Süddeutsche Zeitung](#), a respected German paper that is working with ICIJ to investigate the Panama Papers, reported that the tax-fraud investigation targeting Commerzbank might lead to criminal charges against the employees of Mossack Fonseca.

Brazilian prosecutors have labeled the firm as a "[big money launderer](#)" and filed criminal charges against five of its employees. "[Operation Carwash](#)" or "*Lava Jato*" is an investigation targeting those who stole money from Petrobras. This includes top politicians of both the ruling party and the opposition. Mossack Fonseca apparently helped those involved in the Petrobras scandal to move money around. Now, the firm is under scrutiny worldwide.

Offshore finance itself is under the magnifying glass. [Gabriel Zucman of the University of Berkeley estimates](#) that 8% of the world's financial wealth is held offshore. This amount is at least \$200 billion. As per Zucman's figures, the percentage increases dramatically for other parts of the world. About 22% of Latin American wealth, 30% of African, 50% of Russian and 57% of the wealth of Gulf countries is held offshore.

Zucman also points out that US firms book more than half their foreign profits in offshore tax havens. Since the late 1990s, the effective rate of taxation for US corporations has decreased by a third. The Tax Justice Network estimates the [global annual tax evasion to be \\$3.1 trillion](#). In 2009, [Global Financial Integrity](#) produced a [report that analyzed illicit financial flows from developing countries](#) between 2002 and 2006. During this time, these flows doubled to reach \$1 trillion a year. By contrast, global aid was merely \$104 billion a year. To put it brutally, offshore finance enables elites to rob their masses and secretly park their ill-gotten money in safe havens.

The Panama Papers reveal the world's worst kept secret. Elites watch out for their interest. In the good old days, Louis XIV could simply take whatever he wanted to build Versailles. He could declare "*l'état, c'est moi*" and his subjects dared not whisper their disapproval. Today, leaders claim that they are serving their people. Yet they do not seem to know their people. As organizations grow bigger, systems become more complex and societies become increasingly unequal, concentration of power is creating gargantuan chasms between elites and masses.

This concentration has resulted in the massive transfer of wealth from the poor to the rich. Privatizations in the post-Soviet era were nothing but daylight robberies where public assets were transferred to the relatives and friends of those in power. Banks in countries like China and India have been systematically lending the savings of the middle class to those with political clout. Far too many of these loans have turned sour and the bad debts on the books of the banks are being insured by taxpayer money.

In the US and Europe, the bailout of banks has resulted in similar wealth transfer. To prevent the financial system from going belly up, governments doled out taxpayer money to big banks to stave off a potential global depression. This bailout was nothing but socialism on the downside after capitalism on the upside. To add insult to injury, banks paid out some of this money to failed executives as [multimillion dollar](#)

[bonuses](#) even as average citizens were suffering. Furthermore, [quantitative easing by central banks has made the rich richer](#) and exacerbated inequality.

The bonuses and offshore companies demonstrate how global elites are increasingly disconnected from the masses. Both the children of US senators and Chinese leaders study at places like Harvard or Stanford. They have more in common with each other than the automobile worker in Detroit or a seamstress in Suzhou. They live in their brave new world of offshore trust funds, private jets and hedonistic consumption. They have little understanding of or empathy for the teeming millions on the planet.

Perhaps, the selfishness of elites is only to be expected. As Napoleon remarks in George Orwell's *Animal Farm*, "All animals are equal, but some animals are more equal than others." In earlier times, religion sometimes made elites behave a bit more decently. *Zakat* in Islam and tithes in Christianity provided some welfare to the poor. Everyone was equal in the eyes of the Lord and, at times, religion fostered a social conscience that led to some redistribution.

The rise of the secular state has led to bureaucrats largely taking over from men of God. Often, they steal taxpayer money or use it most inefficiently. In countries like India or Italy where no one trusts the state, tax evasion is a national pastime. Besides, the tax code in most countries is arcane, infernally complicated and downright oppressive. So, corporations and individuals set out to work around it. Most believe that they are better stewards of money than the government and that they can do much more good than petty bureaucrats. As a result, Google and Facebook try to minimize taxes using offshore entities even as they set up philanthropic foundations to save the world.

In Mark Zuckerberg's hyper-connected era, the idea of shared identity, collective conscience and citizenship has taken a battering. In an era when "[a million dollars isn't cool](#)," people are chasing a billion dollars. So, why pay taxes per convoluted codes to bumbling bureaucrats who might squander the money on themselves or [the great unwashed](#)?

\*Available online at [Fair Observer](#)



# Earthquakes Devastate Ecuador and Japan

April 17, 2016

*Two devastating earthquakes cause much suffering and highlight the need to prepare better for future natural disasters.*

Few could have imagined in the 16<sup>th</sup> century that we would have satellites in space, open-heart surgeries and infinite information in the palms of our hands. Yet every now and then, nature breaks the illusion that we have tamed it. This week, earthquakes hit Ecuador and Japan, unleashing death and devastation on a large scale.

Both earthquakes have lessons for our times. In Ecuador, the earthquake measured 7.8 on the Richter scale. It has already killed hundreds of people and injured many more. For thousands, food and other essentials are in short supply. Buildings, roads and bridges have been damaged. There are reports of looting and public disorder. Other countries have offered help. Venezuela and Mexico, neither of whom shares a border with Ecuador, were the first to offer substantial assistance.

In Japan, the earthquake hit Kyushu, its southwestern island, and measured 7.3 on the Richter scale. It succeeded another quake that measured 6.4. Roads, bridges and tunnels have suffered massive damage. At least 41 are dead and hundreds are wounded. Around 180,000 people are in temporary shelters and about 300,000 homes have no water. Electricity has been disrupted with more than 62,000 homes cut off from any power supply.

Big landslides have cut off remote villages. Heavy rains are compounding an already grim situation. About 25,000 Japanese troops are engaged in the rescue effort and the US military is offering assistance. Meanwhile, Toyota has suspended production because the quakes have disrupted the supply of parts. The car company's fabled just-in-time production that relies on low inventory has been disrupted by the two earthquakes.

In both countries, earthquakes are not new phenomena. They form part of the [Ring of Fire](#), a string of volcanoes and sites of seismic activity around the edges of the Pacific

Ocean. Yet there are major differences. Ecuador is a former Spanish colony where *conquistadores* and Catholic priests did much to destroy local cultures. Until recently, the country has suffered from political volatility. Some of this volatility occurred because of the Central Intelligence Agency (CIA), which interfered to install pliant military dictators all across Latin America.

Most of these dictators were descendants of *conquistadores*, owning much of the property of the region. They became champions of the free market in Latin America. During this era, the US held property rights to be inviolable. This meant that white elites of countries like South Africa or Ecuador had inviolable rights to the land that their forefathers had stolen from the natives. These *mestizos* were supposed to work hard, live frugally and work their way up the ladder of opportunity. To use an American expression, they were supposed to pull themselves up by their bootstraps. That they did not have boots leave aside bootstraps was irrelevant.

Today, Ecuador continues to suffer from high poverty and glaring inequality. The indigenous and *mestizo* population is still caught in a grinding struggle for survival. President Rafael Correa has been in power since 2007 and belongs to the democratic socialist tradition of Latin America. He has launched schemes to reduce poverty and curb the power of multinationals. Correa also likes to stand up to the US and has given asylum to Julian Assange who [continues to live in the Ecuadorian Embassy in London](#).

Perhaps most importantly, Correa's economics is anathema to the United States. He defaulted on debt payments of \$3.2 billion in 2008 and 2009. Correa's argument was that the securities that Ecuador had to repay were illegitimate. Ecuador is a [more frequent defaulter than Argentina and Paraguay](#). For the last six years, Correa has run budget deficits and falling oil prices are pushing Ecuador's economy over the edge. The earthquake could not have come at a worse time.

Japan is a much richer and more homogenous country than Ecuador. It has a long history of dealing with earthquakes and some of the most state of the art technologies to minimize damage in the case of seismic activity. The earthquake is causing much hardship in Japan, but there are no reports of looting. Unlike Ecuador, the social fabric of Japan is not fraying at a time of crisis. Even though the Japanese economy has long been in the doldrums, the country will absorb the losses inflicted by the earthquakes just as they have [coped with the massive earthquake and ensuing tsunami of 2011](#).

The tragedies in Ecuador and Japan have three important lessons for us.

First, societies have to prepare better for natural disasters. Tsunamis, hurricanes, floods, droughts and fires have become only too commonplace in recent years. In 2015, [floods devastated southern India](#). In particular, life in Chennai came to a complete standstill. Swirling waters full of debris, sewage and industrial effluents caused colossal damage and threatened to unleash epidemics in their aftermath.

In South America, Brazil, Paraguay, Uruguay and Argentina suffered the worst flooding in 50 years. Apparently, the [El Niño](#) weather phenomenon was to blame. In addition to floods, fires caused tremendous damage in 2015. [California](#) and [Australia](#) suffer spectacular fires almost every year. It turns out that [fires now burn earlier and longer](#). Last year, [Indonesian forest fires were a global catastrophe](#) that ended up generating more emissions per day than the US.

So far, societies have assumed that natural disasters are rare and have dealt with them on an ad hoc basis. Of course, there are exceptions like Japan. This island nation has designed some of the most impressive infrastructure on the planet despite the ever present risk of devastating seismic activity. Japan's rescue and relief measures are world class as well. Other societies could learn from the Japanese.

For instance, both India and Brazil have slums and *favelas* that are not only vulnerable to floods or fires, but also to diseases and epidemics. To prepare better for disasters, human beings could do well to make changes in the way they live. Arguably, the biggest change has to come from those who are affluent. They are often wanton in their consumption of natural resources whether it is in the form of [palatial mansions](#) or [Wabenzi luxuries](#). Even the poor will have to live differently. Houses in low lying catchment areas do not make sense. Similarly, remote homes in arid areas full of dry brush might be an invitation to disaster.

Second, disseminating knowledge and creating relief systems would help societies prepare better for natural disasters. Here, much of the world could learn a lot from Japan. If more buildings in Ecuador met standards that are common in Japan, fewer people would be crushed to death. The logistical exercise that Japan is currently engaging in is breathtaking and institutions in other countries could learn a lot from the Japanese response to natural crises.

Third, mitigating extreme inequality might help societies cope with natural disasters. In societies of masters and serfs, the former tend to wallow in luxury, while the latter start suffering from dejection and dependency. Unequal societies far too often lack social solidarity and find it difficult to cope with natural disasters. They are also unable to build institutions that deal with common interests and coping with floods, landslides or earthquakes becomes even more onerous as a result.

More than 7 billion human beings live on a planet with old perils such as volcanoes and earthquakes and new perils such as drying rivers and record floods. Perhaps the time has come to live a little differently, learn a bit more and create less unequal societies.

*\*Available online at [Fair Observer](#)*



## **“Rain Man” Says Apple Should Pay More Tax**

April 24, 2016

*The rich and powerful deserve more critical scrutiny instead of blind adulation if we want to live in an equitable democracy.*

Human beings have long loved heroes. We love dragon slaying knights and swashbuckling conquerors. In the Old World, heroes are often tragic figures. It is not so in the US. Americans largely belong to the cult of success. Some admire [Slick Willie Bill Clinton](#), others want Donald Trump to “[make America great again](#)” and yet others think [Steve Jobs to be God](#). Perhaps this cult of success needs revisiting. Not everyone rich gets there because of the honest sweat of their brow, the magic of the markets and the divine inspiration.

The rich have been in focus of late thanks to [the Panama Papers](#). This week, companies and their taxes came under focus. Steve Wozniak declared that [Apple and indeed all companies should pay more tax](#). He wants Apple to pay the same taxes as him, at a rate of 50%. Wozniak, or Woz as he is popularly known, [founded Apple along](#)

[with Steve Jobs and Ronald Wayne](#). Jobs once purportedly called Woz “[Rain Man](#)” because he was a technical genius who liked making things and cared two hoots for money.

Jobs was different. In Woz’s words, “Steve Jobs started Apple Computers for money, that was his big thing and that was extremely important and critical and good.” Jobs achieved mythic status around the world even during his lifetime for creating products that changed the way people live. From Apple II to iMac, [Toy Story](#) to iPad, Jobs was [the visionary who made Apple the multibillion dollar company it is today](#).

Yet Jobs was far from perfect. As has been well chronicled, he was [ruthless and controlling](#). Jobs lied to Woz about the money Atari paid to make a new *Breakout* video game. Woz worked nonstop for four days and four nights to produce a technological marvel. Jobs told Woz that [Atari paid \\$700 for the game whilst the real amount was \\$5,000](#). Years later, Woz found out about this lie. He was deeply hurt and confessed, “[I did cry, I cried quite a bit when I read that in a book.](#)”

This lie was nothing when compared to the one Jobs repeatedly stuck to regarding his daughter, Lisa Brennan-Jobs. Jobs impregnated his high school sweetheart but denied paternity. [As per International Business Times](#), Jobs “even swore in court documents that he could not be Lisa’s father because he was sterile and infertile, and as a result thereof, did not have the physical capacity to procreate a child.”

In an age of consumerism, such behavior does not bother his devotees. An Israeli mathematician told this author in December 2012 that Jobs was a great man because he brought much joy to people’s lives. The mathematician claimed that his own life would be significantly poorer were it not for Jobs. He excused the deceit, dishonesty and despotism of Jobs on the grounds that all human beings are flawed and we are not in a position to judge a man as great as Jobs.

Every age worships its supermen. Joseph Stalin was a great god to many despite his brutality and bloodthirstiness. Even today, people flock to the Taj Mahal to celebrate romantic love. [Prince William and Duchess Kate Middleton posed](#) in front of this elegant edifice only recently [following in the footsteps of Princess Diana](#). People conveniently forget that Shah Jahan, the emperor who built the Taj Mahal, [killed all his male relatives to ascend the throne](#). They also forget his extortionate taxation that led to a frightening famine. [Peter Mundy, an English traveler in India at that time,](#)

[observed](#) that “the dead were dragged out by the heeles starke naked, of all ages and sexes, till they are out of the gates, and there they are left, soe that the way is halfe barred up.”

Perhaps our Israeli friend is right. Jobs can be forgiven for his sins for his expensive products and his entrepreneurial success. He merely lied to Woz and about his daughter. By comparison with Stalin or Shah Jahan, Jobs is a veritable saint. Somehow, this does not ring right. Jobs was a genius but he was also an ambitious man who would use any means to attain his ends. After all, this is a man that appropriated Mahatma Gandhi, Albert Einstein and Muhammad Ali in a breathtaking “[Think different](#)” advertisement only to [run Apple with a secrecy](#) that Machiavelli would have approved of.

The fact that most people gloss over Jobs’ less than honorable actions is a testimony to his mythical marketing skills as well as the *zeitgeist* of the 21<sup>st</sup> century. The prevailing myth in Wall Street and Silicon Valley is that the world is better off due to the innovation and risk taking of “the crazy ones.” Those who have initiative build products and services that serve society and bring them commercial success. Money is a medium of exchange that reflects the right value a person provides to society. Only Americans remark, “[if you’re so smart, why ain’t you rich?](#)” As per this worldview, a company is not merely a means to make money but to change the world.

As with all myths, there is an element of truth. As [Ludwig von Mises rightly pointed out](#), markets with their efficient price signals work better than command and control economies. Stalin’s Soviet utopia was a deadly nightmare for those who lived in it. Other communist countries were not much better. Over the years, people [risked life and limb to cross the Berlin Wall](#). When it collapsed and the Soviet Union crumbled, Francis Fukuyama posited the end of history “[and the universalization of Western liberal democracy as the final form of human government](#).”

Yet democracy itself is in crisis. The internet was supposed to have brought us all together. It was meant to give us the entire knowledge of the world on the beautiful machines that Jobs built. Yet the rise of Hillary Clinton and Donald Trump demonstrates that all is not well even in the Rome of our day. One has a track record of [unctuous duplicity](#) whilst the other is a [boorish bully](#). Both have tons of money and their flaws like that of Steve Jobs do not matter.

The US today is going through a deep crisis. Its society is [deeply unequal with terrible intergenerational mobility](#). Far too many jobs have fled to emerging economies where the cost of labor is low and polluting the environment is largely free. Companies like Apple design their expensive products in Cupertino and have them manufactured in cheap China. At Foxconn, the company that manufactures Apple gadgets, [150 workers threatened to leap off the roof](#) in protest against inhuman working conditions. Now, Foxconn has installed safety nets. Its workers cannot even kill themselves. Perhaps, it is time to question this cult of Nietzschean *Übermensch* like Steve Jobs.

Underpinning the cult of Jobs is a fundamental human need to believe in something. It takes the form of belief in a person sanctified by tradition like the pope or a monarch. Many place their faith in religion or ideology such as Catholicism or communism. Still others venerate athletes, artists and entrepreneurs. In the case of the deification of Jobs, the veneration of the person is fused with Reaganesque triumphalism about the victory of American capitalism over Soviet communism.

American capitalism rests on the myth that hard work leads to success. As mentioned above, it also evaluates success almost exclusively in terms of money. In India, Saraswati, the goddess of learning, is said to be a rival of Lakshmi, the goddess of wealth. In France, the myth of the poor artist in the garret still persists. Even in a China where girls prefer [crying in BMWs to smiling on bicycles](#), [Confucian ideals live on](#). By contrast, [even churches in the US are big business](#) and much more transparently so than other parts of the world.

In such a society, there is an easy argument to make to keep taxes low. To paraphrase Trump, governments are stupid. They waste taxes on [boondoggles](#). Often, they are corrupt. Red tape is strangulating small business. People need lower taxes and companies need freedom to operate to keep the American economy ticking. The Ayn Rand world of *Atlas Shrugged* dominates American thinking. It is the likes of Steve Jobs and Mark Zuckerberg who make this land what it is.

There is more than an element of truth in the above argument. Small businesses are indeed hurting. The government bureaucracy is certainly wasteful and often largely unaccountable. There are wheels within wheels in the government and, [as Desh Deshpande points out](#), the tired approaches of handouts, assistance and aid are not working. Yet the cult of success and the worship of *Übermensch* are destructive too. Americans have to accept that not everyone who fails deserves to do so. Some

Buddhist compassion might prove helpful. Similarly, *Übermensch* have feet of clay and are often corruptible if not corrupt. Society has to ceaselessly curb their power and hold them up to scrutiny if it desires any form of democracy or equity.

Rain Man Woz has a point. Today, the companies pay too little tax. Their expensive accountants and clever lawyers are helping them find ways to stash away their wealth overseas. They have [triggered tax and regulatory arbitrage](#), which simply means blackmailing countries to lower taxes and regulations with the threat of moving elsewhere. Investment banks, hedge funds and private equity firms have long played this game. Today, Internet giants like Apple, Amazon and [“Don’t be evil” Google](#) have joined it.

Woz is right. Companies ought to pay the same tax as him. And as [Warren Buffet points out](#), he should not pay a lower rate of tax than his secretary.

\*Available online at [Fair Observer](#)



## Sadly, Donald Trump Has a Point

May 1, 2016

*Trump makes his first foreign policy speech in which he takes a stand against Bush-Clinton globalism and taps into the deep reservoir of resentment of long-suffering average Americans.*

In a week when [Shia protesters stormed](#) Iraq’s parliament, Donald Trump made his first foreign policy speech. He meandered meaninglessly at times, was hopelessly contradictory [as Fareed Zakaria points out](#) and made patently false allegations against President Barack Obama. If one were to believe Trump, [the “foreign-born Muslim president”](#) engineered the election of the Muslim Brotherhood in Egypt and has treated Iran with “tender love and care” to make it “a great, great power.”

Trump is America’s Silvio Berlusconi without [the Italian’s roguish charm or humor](#). Berlusconi hides his sinister side well, playing the part of an incorrigible ladies’ man

whilst hiding his [tax evasion](#) and [links to the mafia](#). By contrast, Trump is aggressively obnoxious. He [damns Mexicans](#) as rapists, [lies compulsively](#) and repeatedly [trashes American leaders as stupid](#). Yet despite damning critiques of Trump, including a [witty and well-researched](#) one by John Oliver, "[The Donald](#)" bandwagon rolls on.

What is going on?

Well, the tragedy is that Trump has a point. Individually, American leaders may be clever but, collectively, they have been stupid. They have largely prized their short-term gains over their country's long-term interests. This is a problem not unique to the US and afflicts most democracies. Far too often, elections are popularity contests. In land of Uncle Sam, [growing](#) partisanship, [gerrymandering](#), [increasing inequality](#), burgeoning amounts of [money in politics](#) and [tightening control of media in the hands of a few corporations](#) have made elections a circus.

These days the circus never stops. [A bit like India](#), the US is always suffering election fever. Congressmen face re-election every two years. Primaries and campaigns are kicking off ever earlier. Congressmen rarely stay in the capital. They have [three-day work weeks](#), with Monday and Friday as travel days when they are commuting to and from their constituencies. This does not leave much time for work or for socializing. It is little surprise then that partisanship has become toxic: It is easier to demonize others when you don't eat or drink or spend time with them.

It is a cliché that Washington is broken. Congressmen have to raise a ton of cash and are always fundraising. They have abandoned much of their work to interns and staffers. These employees are horrendously underpaid. As [E. Philip Lehman pointed out in \*The Washington Post\*](#), the only way to survive while working in Congress is to take on credit card debt or rely on one's family. As Lehman put it memorably, "If the only way to thrive in Washington is by way of someone else's bankroll, how can those entrusted to find policy solutions to this country's problems come from anything lower than the upper middle class?"

Now, the smart people in Washington sometimes mention these problems, but they do precious little about them. Democracy anywhere in the world is messy but, in larger countries, it is exponentially so. The representatives are far too removed from the people. The rules are arcane and complicated. The bureaucracy is a behemoth where

the right hand does not know what the left is up to. And as Trump points out, [lobbyists, donors and special interests](#) have too much power.

Trump is saying what many Americans have been thinking. In his speech he declared: “We will no longer surrender this country or its people to the false song of globalism.” Both Republicans and Clinton Democrats have been championing globalization or what Trump calls globalism. In 2001, Bill Clinton visited Harvard and [credited globalization for “the rapid rise of technology, spread of democracy, and explosion of scientific knowledge.”](#) Clinton failed to appreciate then, and perhaps fails to even today, the contradictions and challenges unleashed by globalization.

In the post-Soviet era, most of the world embraced markets and free trade. The promise of a new era of peace and prosperity beckoned. Larry Summers and Robert Rubin, Clinton’s *consiglieres*, ushered in an era of financial liberalization and threw [the Glass-Steagall Act of 1933 out of the window](#). The lessons of the Great Depression were deemed to be irrelevant in this brave new world.

The [Gramm-Leach-Bliley Act of 1999](#) that replaced Glass-Steagall defines the Clinton era more than anything else. “[Slick Willie](#)” declared that the new act would “enhance the stability of our financial services system.” From now on, the division between prudent commercial banking and risky investment banking was a thing of the past. [Prescient predictions of people like Byron Dorgan](#), then a senator, were dismissed as the rantings of troglodytes.

The Clinton era inaugurated a time when financiers went haywire. Rubin was a former head honcho of Goldman Sachs. When George W. Bush ascended to the throne, the keys to the safe ended up in the hands of Hank Paulson, a successor of Rubin at Goldman. Bush [cut taxes, increased spending](#) and invaded not only Afghanistan but also Iraq. Economists talk about regulatory capture. It is fancy jargon for the fox guarding the henhouse. This is exactly what happened during the Clinton and Bush eras. It is little wonder that banks became too big to fail. Paulson walked through the revolving doors of Goldman into the Treasury to bail out his former friends on the grounds [that stability trumped fairness](#).

Globalization inaugurated an era when companies turned footloose. Now, they could shut up shop and [move production to a cheaper destination](#) in a jiffy. Workers were often left high and dry. [Wages dropped in richer economies](#) as hundreds of millions

entered the global labor market. Returns to capital increased as factories moved to China and call centers opened up in India. Rubin and Paulson did very well but the average American did not.

Rising house prices, cheap goods at Walmart and easy credit card debt hid the declining incomes for a while, but after the Great Recession the chickens have come home to roost. [Americans are still hurting](#) and low unemployment figures hide the fact that [many have dropped out of the labor force altogether](#). Lost jobs and crumbling edifices [dot the Rust Belt](#). Those who are not skilled enough to work at Apple or Google can be baristas and babysitters in the new service economy of the US. When Trump talks about making America wealthy again, he is tapping into memories of better times when things did not seem so hard.

On foreign policy, Trump is ridiculously confused but makes some bold points. He rightly terms Bush's foreign policy a disaster where "logic was replaced by foolishness and arrogance." He talks of the trillions of dollars wasted to no avail. Trump has also spoken of the US being overextended and of [allies paying their fair share for security](#). None of this is entirely new, but Trump is touching a raw nerve by relentlessly questioning the *status quo*.

Many Americans are struggling. They are finding it hard to make ends meet. A large number do not feel optimistic about the future. They remember the halcyon days when they felt wealthier and life seemed simpler. Therefore, Trump's slogan, "Make America Great Again," is seductive in an anxious land. To use [a phrase that Bobby Charlton used](#) for Manchester United, Trump has created for his supporters "the theater of dreams" where they are willingly suspending disbelief.

The president has limited powers in the US. There are many things that require congressional approval. Obama's nominee to the US Supreme Court is still cooling his heels. Even if elected by a large margin, Trump will not be able to do many things that he is promising. Congress is unlikely to play ball. Besides, Trump is a cad and a crook. [Mr. Smith Goes to Washington](#), he ain't.

Trump's dodgy record and shady character does not matter though. The cult of success has strong roots in the US. On April 24, [this author examined how Steve Jobs has been forgiven all his sins and been made into a god](#). Trump will not achieve

deification. He has a very long shot at becoming president. He is not to be underestimated though.

A lifelong Democrat recently told this author that he was furious with Hillary Clinton. This Democrat was a supporter of Bernie Sanders but felt the primary was rigged against his man. A lady in the pay of Goldman Sachs was getting most of the coverage and was waltzing off with the nomination. He claimed that the Democrats were more *Mafiosi* than the Republicans and that the control of the Clintons over the party was nauseating. Finally, this supporter of Sanders declared that he would rather vote for someone rich instead of someone in the pocket of the rich. Between Clinton and Trump, he would choose The Donald.

Democracy needs debate, discussion and deliberation. These require trust. This commodity is running low. Instead, there is widespread revulsion with the system. This is what gives the Americano Berlusconi a chance.

\*Available online at [Fair Observer](#)



# Arise Mayor Sadiq Khan and Champions Leicester City

May 8, 2016

*Sometimes, David beats Goliath and, when that happens, few places celebrate the victory of the underdog the way the UK does.*

This week, the fifth of eight children of a bus driver and a seamstress who grew up on a council estate and went to a rough school was elected [the mayor of London](#). His name is Sadiq Khan and he is “very comfortable being a Brit, being a Muslim and being a Londoner.” He beat Zac Goldsmith, a billionaire heir and an Old Etonian. This is the most remarkable story of British social mobility since the [Dick Whittington of legend](#) became “three times Lord Mayor of London.”

Like most weeks, this week had its dark developments. [Wildfires engulfed Canada](#), Puerto Rico [defaulted on its debt](#) and [Turkish Prime Minister Ahmet Davutoğlu stepped down](#) after a rift with an increasingly sultan-like President Recep Tayyip Erdoğan. In the midst of these somber happenings, [Leicester City Football Club won the English Premier League for the first time](#) in a football fantasy that rivals the fairytale of Cinderella.

While Leicester City's victory is heartwarming, Khan's election is historic. It comes at a time of Islamophobia in much of Europe. The rise of the far-right in France, Austria, Hungary and elsewhere is causing jitters. In the United States, [Donald Trump has called for banning Muslim immigration](#). In the UK, things are turning out to be a bit different.

It is not often that someone from [the jewel in the crown](#) waxes lyrical about democracy in the United Kingdom. But this land of [the Palace of Westminster](#) has demonstrated yet again that it is a mature democracy with a vigorous tradition of debate and discussion. In the 19<sup>th</sup> century, Benjamin Disraeli "[climbed to the top of the greasy pole](#)" despite being the son of a Jewish Italian writer. At this time, the rest of Europe was still in the throes of anti-Semitism. The continent would see [pogroms](#), the [Dreyfus affair](#) and [the Holocaust](#).

London's mayoral election campaign itself was far from pretty. Prime Minister David Cameron [linked Khan to violent extremism and questioned his judgment](#). He told Londoners: "[You don't want to be lab rats in the first \[Jeremy\] Corbyn economics experiment in public life in our country](#)." Cameron was scaremongering. Khan has never really been in Corbyn's pocket. Even though he nominated Corbyn for the Labour Party leadership, Khan ended up voting for Andy Burnham, Corbyn's rival.

Khan was an unlikely Labour candidate and emerged from the back of the pack to win the party nomination. Dame Tessa Jowell, the darling of former Prime Minister Tony Blair, was the favorite to be the Labour candidate. When the race kicked off in 2015, [the bookies' favorite to be mayor was Goldsmith](#). The ruling Conservatives seemed to have the wind at their back. Goldsmith was reputed to be "decent, attractive and independent-minded." The Old Etonian's tall stature, statuesque looks and silk ties made Khan look like a midget plebian punching well above this weight.

In the words of the BBC, [the Sadiq Khan story is about beating the odds](#). He has managed to transcend the barriers of class, race and religion. The youthful 45-year-old has a “big tent” philosophy and was a member of Labour’s “soft left” who supported Ed Miliband over his brother David. He became Labour candidate thanks to the support of key unions. Khan beat Goldsmith by 1,310,143 votes to 994,614, winning [the largest personal mandate of any politician in the history of the UK](#).

Many call Khan a typical modern-day politician who lacks conviction. They say he is no Winston Churchill or Clement Attlee. He is a child of Tony Blair and is all things to all people. One member of parliament (MP) [compared Khan to Richard Nixon](#): “[T]he primary unprincipled politician of modern times, unknowable, highly successful electorally.” During the campaign, the Conservatives played dog whistle politics, questioning Khan’s track record as a human rights lawyer. To many, his sympathies seemed dodgy because Khan has represented clients such as the [Nation of Islam](#).

Yet Khan is a complex character. He is a practicing Muslim who does not drink. But he is a progressive who wants immigrants to learn English, supports gay marriage and is “disturbed” by the number of [people wearing niqabs and jilbabs on the streets of London](#). In keeping with the tradition of a sports mad country, Khan loves football, boxing and cricket. He ran the London Marathon in a little over four hours and has high energy levels.

Like many British politicians, Khan has the gift of the gab. He is a smooth talking charmer who [performed quite creditably in his debates](#). He is an excellent communicator who termed Boris Johnson, his flamboyant predecessor, a [champagne swilling red carpet mayor](#), representing merely the affluent. In contrast, Khan has promised to roll up his sleeves and “fight for all Londoners.”

It remains to be seen how Khan will perform in office. Handling power is vastly different to winning it. Nevertheless, regardless of how this son of Pakistani immigrants performs, Khan has made history. The UK has gradually been evolving into a multicultural society. This has brought in color, spice and richness to the “[green and pleasant land](#)” of fish and chips, but it has also led to genuine concerns about assimilation of new immigrants and radicalization of certain communities. Khan’s election is a harbinger of a new politics of diversity, cosmopolitanism and multiple identities.

Khan's election also owes itself to a new *zeitgeist* sweeping through London. The city is uneasy about rising house prices, increasing costs of commuting, growing inequality and declining social mobility. In some ways, it is the victim of its own success. London draws in billionaires and millionaires because of its opportunities, culture and vitality. It is a center of politics, media, entertainment, technology and, of course, finance. Even as foreigners flock to the city, Londoners born on the wrong side of the tracks find it difficult to craft stories like Khan.

The wealthy Russians, Indians, Arabs and other foreigners gobbling up properties gluttonously and making it such a global hub are also making it difficult for young and not so posh native Londoners to lead a decent life. Rents are [astronomical](#), house prices [exorbitant](#) and taking the London Tube increasingly [burns a terrible hole in people's pockets](#).

This very influx of wealth in the UK is responsible to a great degree for its prosperity, but it is also pushing the cost of living for those who are not wealthy. Attracting wealth and talent to London, whilst improving public services and caring for the vulnerable, is the big challenge for London. Despite Corbyn's rhetoric, [another 1979 winter of discontent](#) is not on the agenda of even the last remaining Trotsykites. The UK remains, in Napoleon Bonaparte's words, "[a nation of shopkeepers](#)."

Today, decades after the collapse of the British Empire, London is still a global center of finance. Only New York and Hong Kong are comparable. It is home to both [the City](#) and [Canary Wharf](#), two small but swanky areas where big banks, private equity firms, hedge funds, law firms and accountants are nestled together in close proximity. Finance creates a lot many jobs in London both directly and indirectly. Most people, including those of the "soft left" such as Khan, understand this well.

Therefore, Khan is repeatedly promising to work with everyone, to bat for the banks and to keep the UK in the European Union (EU). He sees staying in the EU as beneficial for London and as essential to preserving its status as Europe's financial capital. On the fast looming referendum of June 23, [voters decide whether to stay in or opt out of the EU](#). Now that the London mayoral argy-bargy is over, Khan and Cameron will be batting together against Johnson and Goldsmith. Nothing could be a better advertisement for British democracy.

About [45% of voters](#) turned up to vote in London's mayoral election. It is probably fair to say that more of them followed Leicester City Football Club's astonishing story as [it won the English Premier League](#). A ragtag footballing crew of castoffs, journeymen and late bloomers has beaten clubs with mountains of cash such as Chelsea and Manchester City. To give this story a Hollywood twist, Leicester City was bottom of the league a little over a year ago, and the bookies gave them 5,000-1 odds of emerging as champions. This exceeded the 500-1 odds for discovering [Nessie, the Loch Ness Monster](#), or the [2000-1 odds of finding Elvis Presley alive](#).

Leicester City demonstrates that the British may have lost their empire, but their culture is still the *summum bonum* for the rest of the world. Vichai Srivaddhanaprabha, a Thai billionaire, owns Leicester City and has [pumped around \\$260 million into the club](#). This may seem a lot, but it is mere piffle in the era of Russian oligarchs and Middle Eastern sheikhs who compete with one another to buy not only homes in London, but create world-class English football clubs. Vichai hired Claudio Ranieri, a dignified dapper Italian considered a touch too long in the tooth and a no hoper, as manager.

Somehow, the club created a stellar team comprising homegrown talent like Jamie Vardy and Danny Drinkwater, as well as foreign imports such as Riyad Mahrez and N'Golo Kanté. The end result has been mythical: David beat not one Goliath but many. Such was the euphoria of Leicester City's triumphal march that Gary Linekar, the affable presenter of the BBC's Match of the Day and the club's favorite son, got a touch carried away. This top scorer in Diego Maradona's 1986 World Cup and former Barcelona player promised to present next season's first show "[in just his undies](#)" if his team won the Premier League. Linekar now has none other than Prime Minister [Cameron egging him on to keep his promise from the hallowed House of Commons](#).

Clearly, no one celebrates the underdog and undies quite like the British.

\*Available online at [Fair Observer](#)



# Dilma Ousted as Bleak Future Bedevils Brazil

May 15, 2016

*Brazil's economic downturn and political turmoil will exacerbate existing problems such as poverty, inequality and crime.*

For many in the world, Brazil is the land of Pelé and [o jogo bonito](#), or the beautiful game, as Brazilians call football. It is also home to the Amazonian rainforests, providential natural resources, carnival, samba and hauntingly melodious music. To outsiders, the world's fifth largest country, both by area and population, seems sensuous, joyous and glamorous. Yet not all is well in paradise.

In the late 1930s, Stefan Zweig visited Brazil and called it the "[land of the future.](#)" Writing from war torn Europe, Zweig had high hopes for the future of this multiracial land. His hopes have since been repeatedly dashed. As per the Center for Public Security and Criminal Justice, [of the 50 most violent cities in the world, 19 are Brazilian.](#) Unemployment has [risen to nearly 11%](#), wages are falling [and inflation of 10.6% is a 13-year high.](#) In 2015, [Brazil's economy shrank by 3.8%](#), vying with Russia as the worst performing major economy of the year.

Political turmoil has accompanied economic meltdown in the South American giant. Both houses of Brazil's National Congress have voted to begin [an impeachment trial against Dilma Rousseff](#), who is now suspended from the presidency for the next 180 days whilst the trial lasts. She is accused of illegally manipulating government accounts in 2014 before her reelection. Apparently, loans from public banks to the treasury artificially enhanced the budget surplus.

Vice President Michel Temer has taken over. He is a wily constitutional lawyer "[known for his quiet yet calculating demeanor, fine suits, and a penchant for poetry.](#)" The 75-year-old's rather sensual book of verses, [Anonymous Intimacy](#), is supposedly inspired by his third wife, who is 43 years younger than him and a former beauty queen. This youngest of eight children of Maronite Lebanese immigrants heads the Brazilian Democratic Movement Party (PMDB) that had an alliance with Rousseff's Workers'

Party (PT). Now, Temer has thrown Rousseff under the bus and appointed Brazil's first [all-male and all-white cabinet](#) since the end of the military dictatorship in 1985.

In [a brilliant article in \*The Guardian\*](#), Jonathan Watts describes how Temer has plotted to oust Rousseff. Many see the wily lawyer as “the Captain of the Coup” and for good reason. In December, [Temer penned a letter to Rousseff](#) that began dramatically with a Latin proverb: *Verba volant, scripta manent*, “Words fly, writings remain.” This supposedly confidential letter was conveniently leaked to the public, ratcheting the pressure on Rousseff and preparing the path for her impeachment. In April, he followed this letter with a WhatsApp recording of a speech outlining Brazil's need of a [“government to save the country.”](#)

Temer has proved to be a real-life [Frank Underwood of the popular television series, \*House of Cards\*](#). The only difference is that Temer is far more colorful, both in his political machinations and luscious love life. For two decades, he has been kingmaker in a system characterized by [institutional corruption](#). As Watts writes, Temer has been “described as the ‘godfather’ who secured the appointments of key figures in the ongoing Petrobras scandal.” Temer and his party, PMDB, have [avoided ideological positions](#). They have chased patronage, prestige and bribes with aplomb.

Temer is a fitting leader of a country where the political elite has a reputation for rapaciously robbing its people. Andrew Jacobs of *The New York Times* called [Brazil's graft-prone congress a circus that even has a clown](#). This legislator named Grumpy [had the last laugh by getting 1.3 million votes](#), the highest in the country. Fellow members of Grumpy's circus include aging football stars, suspects accused of murder and drug trafficking, and some bearded men who purportedly lead a women's movement. To add insult to injury, one of the members of the Party of the Brazilian Woman was accused of sexually abusing his young niece.

Eduardo Cunha, the previous speaker of the lower house, a PMDB politician and Rousseff's bitter rival, did better. An evangelical Christian radio commentator with a penchant for tweeting biblical verses, [Cunha was recently removed from his position by the Supreme Court](#) because of charges that he had siphoned off millions to Swiss bank accounts. Brazil's circus is far more entertaining than *House of Cards*. Truth is indeed stranger than fiction.

Many emerging economies and poorer countries have problems similar to Brazil's. In these countries graft is a way of life. People vote but do not participate in running the country. They fail to come together to create and administer public goods such as schools, hospitals, roads *et al.* The taxes they pay are stolen by corrupt elites. Because taxes are stolen, most evade taxes. This in turn enables tax collectors to extort bribes from citizens. Voters with little trust are often trapped between elitist reactionaries and power-hungry populists.

It is little surprise that states are failing and flailing in many parts of the world. In Brazil—as in India or Nigeria—the state barely functions because it is too diverse and disconnected from people's lives. Like many other societies, Brazilians sip deeply from the poisoned chalice of the past. This is a former Portuguese colony where white settlers slaughtered natives, helped themselves to gold, silver, timber *et al.*, and imported slaves from Africa to work on sugar plantations.

Brazilians repeatedly point out that they are a multiracial and multicultural society. Indeed, the story of Pelé would not be possible in lily white Argentina where many still hark back to their European roots and look down on people with more melanin in their skin. In Brazil, class and wealth instead of race and religion matter more, but it turns out that those at the top of the food chain tend to be disproportionately white. It is for this reason that Watts says, "Brazil's image as a socially liberal, multi-ethnic democracy may always have been more myth than reality."

While Brazil did cast off the colonial yoke of Portugal by 1825, it never attained the political stability of English colonies like Australia, Canada and the United States. Turmoil has plagued it to this day. Some smart alecks from the Central Intelligence Agency (CIA) [blame geography](#). They point out that it lacks the harbors, rivers and topography that allow for easy transportation of goods. The Grand Escarpment comes right down to the ocean, forcing cities to develop on small enclaves of relatively flat land. Tropical jungles and *cerrado*, a vast tropical savannah with acidic soils, do not help. Hence, as per this argument, Brazil still lacks a decent system of roads and railways. Throw in Max Weber's ideas and you can blame Catholicism with its papal infallibility as a cultural barrier to economic dynamism and even democracy.

Whilst the gentlemen of the CIA might have a point, their agency has hurt Brazil perhaps more grievously than geography. In 1964, the CIA was terrified by the specter of spreading communism. Cuba had fallen. Vietnam was troubling and would soon

consume resources. The US had to save Brazil from [satanic communism](#). The CIA came up with [Operation Condor](#). Killings, kidnappings, torture, imprisonment and brutal repression by South American military dictatorships were seen as messy means to the noble end of combating communism. One of those who was [imprisoned and tortured](#) during these days was Rousseff herself.

Only in 1985 did Brazil become a democracy. By 1992, it had impeached a president. Fernando Henrique Cardoso, first as finance minister and then as president, [brought inflation under control](#) at a time when the post-Soviet globalization was starting to take off. Cardoso's measures increased consumption and created stability. At the same time, the Chinese economy grew stunningly throughout the 1990s and 2000s. As this author pointed out last year, [Sino-Brazilian trade increased from little over \\$10 billion to \\$255.5 billion](#) between 2000 and 2012, a rise of 2,550%. As China has sneezed, Brazil has caught a cold.

During the boom years, interest rates were low, credit was easy and consumption based on monthly instalments for cars, refrigerators, cellphones and even good clothes *de rigueur*. In 2012, *The Economist* reported that [credit in Brazil had doubled in 10 years](#). During the global recession, policymakers slashed taxes and interest rates to boost demand. Neither Rousseff nor her predecessor and mentor, Luiz Inácio Lula da Silva, were good stewards of the economy. Like grasshoppers and unlike ants, [they failed to save for winter](#) and Brazil is now drowning in debt.

Rousseff and Lula had won elections thanks to the support of the poor and focused on distributing largesse. They lacked vision, competence and, according to some, [even integrity](#). Lula was affected by the Mensalão scandal. Monthly payments were apparently made to legislators to back the government. Operation Car Wash investigation during the Rousseff era revealed that Petrobras, a state-owned oil giant, overpaid construction companies who passed off some of that money to executives and politicians.

Many accuse of Lula and Rousseff of becoming too greedy after remaining in power too long. They are certainly guilty of populism and of sacrificing long-term interests for short-term gains. Yet they did make Brazilian politics a bit more democratic, plural and plebian. During their time, the [Bolsa Familia Program](#) made cash transfers to the poorest sections of society, helping reduce poverty as well as improving the health and education of children.

Like many other leaders around the world, Lula and Rousseff made terrible decisions regarding the Brazilian economy. Temer is no knight in shining armor though. He evokes terrifying ghosts from the past. With Temer's rise to the throne, [Brazil's "bold old elite" has staged a stunning comeback](#). Already, ultra-conservative lawmaker Jair Bolsonaro has dedicated his impeachment vote to Carlos Alberto Brilhante Ustra, the dictatorship-era torturer-in-chief. [Glenn Greenwald](#) and [The Intercept](#) are right to point out that Brazil's democracy itself is under threat as ruthless robbers take over the country's safes.

\*Available online at [Fair Observer](#)



# Merger Mania Marks Rising Risks to Global Economy

May 22, 2016

*As Bayer bids for Monsanto and Gannett for Tribune Publishing, mergers raise questions about the concentration of power and the rising risks to the global economy.*

This week, [Bayer bid for Monsanto](#). Bayer, a German behemoth, describes itself as "[a global enterprise with core competencies in the Life Science fields of health care and agriculture](#)." Monsanto, an American multinational, seductively claims to be "[a sustainable agriculture company](#)" that delivers agricultural products to support farmers all around the world. Bayer offered a not too shabby \$55 billion to buy Monsanto, a price that is likely to move north as the bid proceeds further.

This is also the week when political turmoil continued in both [Brazil](#) and [Venezuela](#), the [US Senate voted to allow relatives of those killed on 9/11 to sue Saudi Arabia for the attacks](#), the Islamic State exploded [bombs in Baghdad](#) again, [an Egyptian plane crashed](#) in the Mediterranean, and [Rwanda expelled 1,500 Burundians](#) to retaliate against Burundi's expulsions of thousands of Rwandans since April 2015.

Whilst these developments around the world are significant, it is economic developments that take center stage this week. They capture the peculiar nature of the global economy that combines both promise and peril. On the one hand, people can use Google Maps, Apple and Uber to make their life easier. On the other hand, jobs are few, working hours long and real wages flat or falling.

Brazil and Venezuela are facing a terrible crisis because the bottom has been knocked out of their economies. In 2015, this author predicted [declining trade, growth and returns to capital](#) as the [Chinese dragon stopped breathing fire](#). Today, far too many countries in Latin America and Africa that lived off China's ravenous hunger for resources are suffering economic pain, social dislocation and political turmoil.

This global slowdown is causing pain to big companies in Europe and the US as well. This has led to a merger mania in sectors as divergent as [semiconductors](#) and [agribusiness](#). As Kenneth Ferris and Barbara Pettitt point out, [mergers and acquisitions come in waves](#). The end of these waves "typically coincides with a crisis or a recession." In theory, mergers and acquisitions increase value. The sum of two companies that come together is supposed to be greater than their individual parts. Operating, financial and managerial synergies purportedly help unlock hidden value.

Yet "[there are more things in heaven and earth](#)" than are dreamt of in philosophy. A [well-known KPMG report in 1999](#) concluded that "83% of mergers were unsuccessful in producing any business benefit as regards shareholder value." In fact, 53% had destroyed value. There is little to indicate that things have changed dramatically. Still, mergers and acquisitions continue to be in fashion. Why is it so?

[As per Chem.Info](#), the slowdown in China and Brazil is making organic growth unlikely. Hence, companies are looking to grow through mergers or acquisitions in the hope that economies of scale will increase market power and efficiencies. Bayer's bid for Monsanto has come on the back of blockbuster deals. In August 2015, [Monsanto offered \\$47 billion to buy Switzerland's Syngenta](#). It tried to combine its world-leading seeds business with Syngenta's seeds and pesticides. Syngenta turned down Monsanto to [jump into the arms of ChemChina](#). More importantly, [the Dow Chemical Co. and DuPont have announced a \\$120 billion merger](#) to create the biggest behemoth in their business.

In some ways, the consolidation of companies is proving Karl Marx right. This bearded German predicted that [increasing competition would lead to larger companies who would enjoy economies of scale](#). Smaller companies would be eliminated because they would not be able to match the lower average costs of behemoths. In agribusiness, six global companies dominate the sale of crop seeds and pesticides. With the formation of Dow DuPont, this number will shrink to five and the new Goliath “[would sell about 41% of U.S. corn seeds and related genetics](#).”

Marx might have been right about economies of scale, but he failed to take into account diseconomies of scale. At some point, scale leads to dysfunctional bureaucracies and robs organization of dynamism. Dow DuPont is going to eliminate thousands of jobs, especially in research and development. According to [Frederic Choumert](#), a principal of Roland Berger, the Dow DuPont merger is “[almost the death of innovation](#).”

Marx’s materialist philosophy also failed to account for human ego. Mergers and acquisitions often take place because human beings still retain empire-building instincts like [Julius Caesar](#) and [Robert Clive](#). Corporate bosses like being titans of industry. Often, they buy shiny toys at inflated prices and end up mismanaging thereafter. In 2007, “[the nine-year, \\$36 billion ‘merger’ of Chrysler and Daimler-Benz was dissolved for a mere \\$7.4 billion](#).” This failed merger remains a classic case of imperial hubris on the part of [Daimler-Benz’s Juergen Schrempp](#).

Corporate bosses are not alone in this often-doomed quest for bigger is better. Shareholders demand incessant growth, regardless of the costs or consequences. It is for this reason that [Monsanto manufactured Agent Orange](#), a toxic defoliant, for the US military during the Vietnam War. The company still claims that there is no “causal connection linking Agent Orange to chronic diseases.” [The American Cancer Society has reviewed evidence and has a different point of view](#). Apparently, Agent Orange is not as harmless as Monsanto would like us to believe. Millions of Vietnamese and thousands of American servicemen would agree. In any case, when selling Agent Orange is no longer an option then mergers or acquisitions are not such a bad idea.

Apart from shareholders, central banks are also responsible for boosting mergers and acquisitions. Since [the global financial crisis of 2007-08](#), central banks have been pumping money into the economy. Interest rates have been staggeringly low

and [quantitative easing](#) has become the norm. This means that the cost of capital is staggeringly low, making it easy for companies to raise money for merger mania.

Unsurprisingly, media mergers are also in fashion. This week, [Gannett bid for Tribune Publishing](#). Gannett, the owner of *USA TODAY* and over 100 other media properties, offered a measly \$815 million to buy Tribune Publishing, the owner of *The Los Angeles Times* and *Chicago Tribune*. Gannett estimates savings of about \$50 million a year because of synergies. In April, Gannett bought Journal Media Group for \$280 million.

Journal Media Group itself had been formed after a merger in 2015. Its print and digital publishing operations served 14 markets in nine states, and its marquee publications included the *Milwaukee Journal Sentinel*, the *Naples Daily News*, *The Commercial Appeal* in Memphis and *Ventura County Star* in California. Concentration of power in Dow DuPont is raising legitimate concerns ranging from oligopolistic market power to [financial engineering that prizes short-term gains for hedge funds over long-term business fundamentals](#). In the case of media, as per the Public Broadcasting Service (PBS), it might be putting [democracy on deadline](#).

The media, to use Edmund Burke's words, is "[the fourth estate](#)" and, in its role as a watchdog, has to promote transparency and accountability. Yet the fourth estate is less likely to bark, leave aside bite, "when its many-faceted voice is owned by a small number of corporate masters." PBS points out that 50 corporations controlled most of the American media, including magazines, books, music, news feeds, newspapers, movies, radio and television in 1983. By 1992, mergers had reduced the number of corporations to 25, and by 2000, this further dwindled to six.

The fiduciary duty of those who run these corporations is to maximize profits for their shareholders. This creates conflicts of interests with the duties of the fourth estate that include informing and educating the public, as well as holding the feet of the powerful to the fire. Ben Bagdikian, a Pulitzer-prize winning journalist, former dean of the Graduate School of Journalism at UC Berkeley and author of *The New Media Monopoly*, has described US media giants as a "cartel" that wields enough influence to change politics and to define social values. Perhaps, as Michael Marinaccio says, "[It's time for nonprofit media organizations](#)" because profit-journalism has failed to uphold news as a public good.

At a time of merger mania, [the structure of the global economy deserves closer attention](#). Rising debt, fewer jobs and increasing inequality make a toxic cocktail. [Public institutions are lost at sea](#) in the face of interest groups and short-term thinking. As mentioned above, central banks have played a dubious role by following a policy that boosts asset prices, funds mergers and increases inequality.

In 2008, none other than [the International Monetary Fund published a paper on central bank responses to the 2007-08 financial crisis](#). It declared that central banks have to strike “the right balance between being supportive in a stressed market environment without sowing the seeds of future crises during normal times.” That treacherous passage between “[the Scylla of a global slowdown and the Charybdis of inequality amplifying asset price bubbles](#)” has proved difficult to navigate. The current merger mania indicates that central banks might have drifted too close to Charybdis.

\*Available online at [Fair Observer](#)



# Vietnam, Japan, the Asia Pivot and the Obama Doctrine

May 29, 2016

*Obama visits Asia to heal past wounds, push for trade, deepen security ties, promote American interests and contain China in a masterly display of diplomacy.*

The late Harold Macmillan, heir to a publishing business, a British prime minister and chancellor of the University of Oxford, was once asked what he feared most. His apocryphal response, “Events, dear boy, events” has in the words of Robert Harris become “infuriatingly ubiquitous.” Yet events do matter and some of this week’s events have historic significance.

Many things happened over the last seven days. [The Saudi-Iran row over Hajj pilgrims](#) continues to fester; about [700 migrants as per BBC](#) or [refugees as per Al Jazeera](#) have drowned in the Mediterranean Sea off the coast of Libya; [the chief](#)

[negotiator of Syria's main opposition bloc quit](#) over the failure of the Geneva peace talks backed by United Nations (UN); [Donald Trump declared that illegal immigrants are treated better than American war veterans](#); and Australian scientists reported that [over 35% of corals](#) in the northern and central parts of Australia's Great Barrier Reef have been destroyed by bleaching because of warmer ocean waters thanks to climate change.

Each of these events is significant in its own right, but history hangs heavy this week. Exactly 100 years ago, the [Battle of Verdun](#) raged for 300 days and left 800,000 soldiers dead, wounded or missing. This week, French President François Hollande and German Chancellor Angela Merkel got together to honor the war dead as per [a tradition begun in 1984 by François Mitterand and Helmut Kohl](#). Hollande and Merkel did not hold hands like their predecessors and their time together seemed to be marked by some *froideur*.

Even so, Verdun lives on in the collective memory of *la grande nation* and *der Deutschland*. Hollande warned against “forces of division” and Merkel declared that nationalism “would throw us backwards.” [Both of them called for unity in the European Union \(EU\)](#) at a time when [the far-right is on the rise](#) and the [United Kingdom threatens to walk out of the fractious European family](#). Both Hollande and Merkel were awkward and neither spoke with inspiration or vision. Together, they personified why the European project is running out of steam. People are tired of mind-numbing banal bureaucrats with a *penchant* for spouting *clichés*. The EU is in crisis and needs more than the dreaded specter of the two world wars to muddle through.

Even as France and Germany confronted their ghosts of the past, the United States confronted its own. [President Barack Obama visited Vietnam and Japan](#), two foes that have recently and not so recently turned friends. Obama is a post-Vietnam War president. Besides, he lived in Indonesia as a child. Southeast Asia is familiar to the president who has been attempting to [pivot the US to Asia](#) for a while. As he makes his last bows on the international stage, Obama is seeking more than [rapprochement with Cuba](#) and a [nuclear deal with Iran](#). This week, he decided to slay the ghosts of both Vietnam and Hiroshima.

Obama is an unlikely chief of the land of the Puritans that likes Judeo-Christian certitude and a clear ideology. In the aftermath of World War II, the descendants of Puritans reposed their faith in free markets. After all, the Soviet Union was a godless

society ruled by tyrants who purportedly drank blood in lieu of wine. [Communism was evil incarnate](#) and the end justified the means in an existential battle where the winner would take all. Noble Americans had to vanquish evil Soviets to create heaven and save the world from hell. Collateral casualties were just part of the game.

Unsurprisingly, such a Manichean worldview led to [paranoiac McCarthyism](#). Some of the finest American intellectuals were persecuted, though, to be fair, they did not end up in the [Gulag](#). Abroad, the US acted with a little less restraint. In 1953, [the Central Intelligence Agency \(CIA\) overthrew the first democratically elected government of Iran](#) to protect the interests of the Anglo-Iranian Oil Company. Mohammad Mosaddegh, the then prime minister of Iran, was ludicrously vilified as a potential communist and expected to persist with a [colonial-era British deal](#).

Clearly, the US and the CIA were not cognizant of the idea of duress. Iran had agreed to that deal under a barrel of the gun, and the British [gave it a measly share of its oil revenues](#). By siding with the colonial master, the US stabbed the newly independent and not yet independent colonies in the back. Now, the country of [the Atlantic Charter](#) turned into a supporter of the South African apartheid regime. In fact, the [CIA played a key role](#) in the arrest of Nelson Mandela, who [remained on the list of terrorists in the US till 2008](#). In the rigid ideological world of the US, anyone who was not a cheerleader in short skirts for Uncle Sam was an ugly enemy to be ["got rid of expeditiously."](#)

The US failed to understand that many countries did not quite have a pleasant brush with capitalism. In 1602, [the Dutch East India Company](#) was set up as a joint stock company. It is now regarded as the world's first multinational. The company soon took over the Dutch East Indies—modern-day Indonesia—a part of the world Obama is familiar with. What followed was not pretty. In the name of trade, the company proceeded to rob and then conquer the natives. Capitalism was born red in the tooth and claw, with its evil twin, colonization.

Somewhere along the way, it became convenient for the Dutch to believe that they were benevolent. After all, they were civilizing the natives. So pervasive was this belief that the Dutch [squandered precious money from the Marshall Plan](#) to recolonize Indonesia after World War II. The Dutch themselves had not enjoyed German rule during the war, but did not see the irony of Indonesians sharing the same aspirations for freedom.

Furthermore, the Americans failed to realize that the free market model the US set out to promote after World War II had many doubters. Far too many in the impoverished colonies did not want the unfettered preservation of the property rights of corporations, elites and individuals who had acquired their property through murder, threats and imposition of an unjust law during the colonial era. Hence, far too many liberation struggles tended to be left leaning.

Tragically, the US saw these struggles as left-leaning and not as liberating. [“No taxation without representation”](#) was abandoned and support for imperial or right-wing regimes became absolute. Perhaps this was inevitable in the land of the free and the home of the brave. After all, white settlers had cheated, robbed and slaughtered natives to take over their land. Fortunes had been built on the backs of slaves to fund [ante bellum states](#) in the American South. Moreover, Uncle Sam [still practiced segregation](#). American claims that it stood for freedom were translated as freedom for the white man alone.

In some ways, Americans were only emulating John Stuart Mill of the British East India Company. He believed in liberty for those in [“the maturity of their faculties.”](#) White men were evidently qualified. Even white women were. Brownie fuzzy wuzzies were another matter. They did not quite deserve the benefit of Mill’s doctrine. That tens of millions died of famine under Mill’s company’s rule, [including a third of the population of much of modern-day eastern India](#) in the 1770s, is mere piffle.

In Vietnam, the Americans operated from the same playbook as in Iran. They supported French imperial rule and turned new oppressors. Sadly for them, the Vietnamese were made of tougher stuff and did not quite roll over quite as easily as the Iranians. [Agent Orange](#) and American disgrace in Vietnam are now folklore. For years afterward, relations remained cool. Obama has changed that dramatically.

On May 24, [the US president gave a stirring speech in Hanoi](#). In his words, “like bamboo, the unbroken spirit of the Vietnamese people” gave it the ability to cast off colonial rule. He blamed “Cold War rivalries and fears of communism” for pulling Vietnam and the US into conflict. Obama talked about reconciliation and removing Agent Orange. He announced that “the Peace Corps will come to Vietnam for the first time, to teach English.”

Obama extolled the Trans-Pacific Partnership (TPP) as a means to boost trade. At a time when [drought is reducing water and increasing soil salt levels](#), Vietnamese farmers are in deep distress. Along the 4,350-kilometer-long Mekong, rice, coffee, vegetables, freshwater fish and even seafood production is suffering. Farmers are fleeing to find jobs in factories, many of whom export to the US. It is little surprise that Vietnamese leaders are eager beavers for the TPP.

Apart from trade, Obama talked about security. This is code for China. Vietnam, Japan and many smaller nation states in Southeast Asia are petrified of an [increasingly assertive China](#). It is little wonder that the crowd broke into applause when Obama declared: “Big nations should not bully smaller ones. Disputes should be resolved peacefully.” To promote peace and perhaps American business, [Obama ended the arms embargo against Vietnam](#). Now, Vietnam can buy American military equipment, train with US forces and together challenge [Chinese claims in the South China Sea](#). Little brother can now stand up to big brother for its share of fish, oil and gas, as well as the domination of a trade route already worth \$5 trillion a year.

After Vietnam, Japan was the next stop for Obama where he became the first president to rock up to Hiroshima. He did not apologize on behalf of the US for dropping the atom bomb in 1945. [Donald Trump’s constant attacks on Obama for making the US look weak](#) do not allow him to. Also, as the dominant superpower, the US does not need to. History is written by winners and apologies are offered by losers. In any case, Obama met survivors, listened carefully and [mourned the dead](#). He [wrote in the visitors’ book](#), “We have known the agony of war. Let us now find the courage, together, to spread peace, and pursue a world without nuclear weapons.” Japan, an aging society with [an aching economy](#) and horrific memories of the 1945 nuclear attacks, was impressed.

In his last year in office, Obama is settling past feuds and crafting new alliances. In a brilliant and extensive article in *The Atlantic*, Jeffrey Goldberg dissected what he called [the Obama Doctrine](#), which involves the pivoting to Asia and managing the rise of China. In this Asia visit, Obama applied this doctrine masterfully by practicing crafty diplomacy, boosting trade, deepening security ties and increasing “[soft power](#)” in Asia. To provide contrast, [Trump was bellowing to bikers that Japan pay 100% of its security costs](#) because Americans need to take care of their own. He also declared that Bernie Sanders “is right on one thing.” That thing is trade. In this strange election campaign,

both Trump and Sanders are trumpeting their opposition to trade, putting them on a collision path with the Obama Doctrine.

This bodes ill for the US. More than the raging feuds in the Middle East or the rise of the Middle Kingdom, it is discontent at home that threatens [Pax Americana](#). As a modern-day [Marcus Aurelius](#), Obama can only hope that he is not succeeded by a contemporary counterpart of [Commodus](#).

\*Available online at [Fair Observer](#)



# Germany Declares Turkey Guilty of “Armenian Genocide”

June 5, 2016

*The German parliament damns Turkey for conducting genocide against Armenians in 1915, achieving little except strengthening President Erdoğan.*

This week, the European Union (EU) officially [warned Poland](#) that changes to its constitutional court endanger rule of law; South Carolina became the 17<sup>th</sup> state in the US to [ban abortion](#) starting from the 20<sup>th</sup> week of pregnancy with no exception for protecting the woman’s health; Uber [raised \\$3.5 billion](#) from Saudi Arabia’s sovereign wealth fund; OPEC [failed to agree](#) to limit oil output in Vienna; the European Central Bank (ECB) also met in Vienna to keep [interest rates unchanged](#); and the rhetoric over Brexit ratcheted up with former Prime Minister John Major [declaring](#) that the British people were being deceitfully misled, among others, by “court jester” Boris Johnson.

As with most weeks during this eventful year, selecting the key developments is not an entirely straightforward one. Yet one development stands out this week because it ties in issues of history, narrative, crime, guilt, atonement, identity, international relations and more in a heady cocktail that promises to leave quite a hangover. On June 2, the *Bundestag*, the German parliament, almost unanimously [voted to declare](#) that the Turkish 1915-16 killings of Armenians was “genocide.”

Turkey is furious. It [recalled its ambassador](#) “for consultations over the German parliament’s decision” and declared that [Germany had made a historic mistake](#). German Chancellor Angela Merkel, who was conveniently not in the *Bundestag* during the time of the vote, tried to soothe frayed Turkish nerves by purring that relations between Turkey and Germany remained “broad and strong.”

In 1961, Edward Hallett Carr delivered [the George Macaulay Trevelyan Lectures at the University of Cambridge](#). These were later published as *What is History?* a book that has gone on to become a classic. Carr brilliantly pointed out that historians choose a few facts to be historic such as Julius Caesar crossing the Rubicon. Facts are chosen or ignored quite arbitrarily, making history quite a subjective exercise. Yet facts matter and Carr defined history as “a continuous process of interaction between the historian and his facts, an unending dialogue between the present and the past.”

What happened in the German Bundestag this week is less about history and more about identity. Germany is a country that still wallows in guilt. During World War II, the Nazis were responsible for the Holocaust. An [estimated 6 million Jews and another 5 million Poles, Slavs, Romanis, communists et al](#) were killed. Europe and Germany see Nazism was an aberrant phenomenon to the story of the Enlightenment. How else could the land of Immanuel Kant, Johann Wolfgang von Goethe and Johann Sebastian Bach end up becoming the land of Adolf Hitler, Hermann Wilhelm Göring and Paul Josef Goebbels?

The truth is that, like most stories, the European story is complicated. The formation of European nation states was a bloody and brutal process. In England, the Puritans were persecuted and fled to North America. In their new land of the free and the home of the brave, they largely exterminated the natives to take over their land and resources. [Spain expelled the enlightened Moors of Andalucía](#). Ferdinand and Isabella got rid of all the Jews in 1492. [Spanish conquistadores unleashed an orgy of violence](#) on pagan natives, killing them wantonly, raping their women and robbing them of gold, silver and land.

The idea of “[un roi, une foi, une loi](#)” (one king, one faith, one law) was fundamental to the European state formation. Unlike the contemporaneous Ming, Mughal and Ottoman Empires, European nation states were uniform enterprises where one people speaking one language united to forge their common destiny. In the process, they savaged

natives of distant lands, fought their neighbors and persecuted their minorities. Even fellow Christians were not safe, as *Huguenots* found to their horror during the [St. Bartholomew's Day Massacre](#) and [les dragonnades](#).

Once the [Turks were beaten back from the gates of Vienna in 1683](#), European nation states waxed whilst Ottoman Turkey waned. By the end of the 19<sup>th</sup> century, Turkey was [the sick man of Europe](#). This rambling empire with multiple religious minorities failed to embrace the Industrial Revolution or adopt modern military technology. Yet minorities, even though subordinate, were better off under the Ottomans than European states.

Like the Habsburgs, the Ottomans did not survive World War I. [Mustafa Kemal Atatürk led a revolution](#) that beat back the victorious allies and set out to create a European-style nation state. The various territories of the Ottomans had already been whittled away. Now, all the Turks were to be united in a cohesive nation. Roman alphabet, European dress, emancipated women, modern technology and secularism were supposed to yoke Turkey into modernity.

Atatürk's revolution never entirely succeeded. Islam never ceased to be important in a socially conservative land. Ultimately, secularism was guaranteed by the barrel of the gun. The military kept Islam under wraps. In the new post-Cold War *zeitgeist*, religion reassumed its traditional importance. Astute observers could see [the clash between rural Muslim society and cosmopolitan Istanbul coming](#).

Unsurprisingly, Recep Tayyip Erdoğan became prime minister in 2003 and president in 2014. From day one, [he began expanding his powers](#). Today, [Erdoğan is a sultan](#), albeit an elected one. He has survived protests regarding Gezi Park, accusations of corruption and outrage over the 1,000-room Ak Saray, or the White Palace, which happens to be bigger than the White House or the Kremlin.

Many Turks love Erdoğan for the same reason that Russians love Vladimir Putin. He is proud of his faith and tradition. His wife wears a headscarf in public. Erdoğan stands up to big powers for Turkey. He has [leveraged the refugee crisis to extort concessions and cash](#) from Europe in general and Germany in particular. He has exhorted women to have at least three children and [has declared a woman's life to be "incomplete" if she fails to reproduce](#). For traditional Turks, Erdoğan is a man with the courage of conviction who fights for his beliefs.

Erdoğan cares about great power status. He has set out to bury Atatürk and [reclaim the legacy of the Ottoman Empire](#). Therefore, any slur on the Ottoman record is a touch too close to Sultan Erdoğan's bone. Turkey has long denied that it was responsible for the "genocide" of Armenians. Unsurprisingly, Erdoğan has declared that Turkey was ready to "pay the price" for mass killings of Armenians if, and only if, an "impartial board of historians" find the dying Ottoman Empire guilty. So far, 20 countries have formally recognized genocide against Armenians.

The entire brouhaha over the issue of Armenian genocide raises three key questions. Philosophically, the first question that begs asking is whether national parliaments ought to be passing laws on terminology of events past. In World War I, Germany was an ally of Turkey and it seems that this law is to mitigate its own Lutheran sense of sin. It ties in with the [modern German narrative of deep guilt](#) and public penitence. By voting against Turkey, German politicians are engaging in collective catharsis. It makes them look good and may help them get reelected. But what does passing a resolution or law about terminology regarding a century-old even actually achieve?

The second question is who should be judging the past? Argentina, Belgium, Canada, France, Italy, Russia and Uruguay have recognized the Armenian "genocide" as has Pope Francis. However, no Muslim nation has done so. Even India, a largely Hindu nation, has not dared to. Pope Francis is unlikely to apologize for genocide of natives in Latin America or [the Inquisition in Goa](#). Ethnicity and religion still matter. Unfortunately, when nations use charged words like genocide they exacerbate ethnic and religious divides. For once, Erdoğan is right. [Whether the Armenian killings are genocide is best left to historians](#) not parliamentarians.

Third, who judges whom, and how far back in the past do we go? Former British colonies could pass laws condemning or terming events of two centuries ago. When the British East India Company took over the eastern part of the Indian subcontinent in 1757, [a third of the population died](#) within 16 years. Yet no country, including India, has termed this death of an estimated 10 million people genocide. If the fashion of digging up dead ghosts of the past catches on, then finger pointing will be the name of the game. Politicians in South Africa who are failing their electorates might pass one resolution after another to manipulate public emotion and prey on outrage instead of rolling up their sleeves and getting things done.

In a turbulent world, there is already a strong resentment against injustices, real and imagined. Many Turks see this act of Germany as betrayal of an ally that lost everything as a result of going to war. Despite hurt feelings, not much will change. Both the Germans and the Turks need each other. After the huffing and puffing will come the kissing and making up. More pertinently, the German *Bundestag* has hurt Turkish pride and will end up helping Erdoğan to become more of a sultan.

\*Available online at [Fair Observer](#)



# Gay Nightclub Shooting Shakes America

June 12, 2016

*Loss of community, individual alienation, increasing anger, lax gun laws and extreme ideologies are leading to mass shootings in the US.*

This week, Hillary Clinton claimed the Democratic nomination for president to fight Donald Trump, the Republican candidate. Bernie Sanders, Clinton's rival, has all but thrown in the towel and is [planning to meet her next week](#). His main goal now is to make his party more progressive.

It seems that Paul Ryan, the Republican speaker of the House of Representatives, is also turning a touch progressive. He has termed Trump's comments "[the textbook definition of a racist comment](#)" after the mercurial Republican candidate criticized a federal judge overseeing the Trump University lawsuit. In Trump's eyes, the judge's Mexican heritage is a source of bias, and [he continues to question whether he is "receiving a fair trial."](#)

Ethnicity, race and religion continue to play a role in most societies and the US is no exception. Muhammad Ali was buried this week and, during his heyday, his life captured the fault lines of the US in a most remarkable way. Ali began as Cassius Clay but converted to Islam after suffering discrimination despite winning the Olympic gold

medal. He was once a member of the Nation of Islam like the [eloquently dangerous Malcolm X](#). Both were part of new generation of aggressive “negroes” who were [rejecting the last names and the religions of their white slave masters](#).

It is important to remember that, during Ali’s time, segregation was alive and well. [Even after representing the US in the Olympics, he was refused service in a restaurant](#). The US supported apartheid and [saw Nelson Mandela as a dangerous left-wing terrorist](#). Ali challenged white domination and “its white images” like “Jesus, Wonder Woman, Tarzan and Rocky.” He brashly declared: “I am the part you won’t recognize, but get used to me. [Black, confident, cocky. My name, not yours. My religion, not yours. My goals, my own. Get used to me.](#)”

Ali’s genius lay in connecting American racism at home to its imperial military expansionism abroad. As the brilliant [Peter Isackson points](#) out in *Fair Observer*, within a year Martin Luther King, Jr. was making a similar connection. King called for the end of the Vietnam War by declaring: “I speak for the poor of America who are paying the double price of smashed hopes at home and death and corruption in Vietnam.” King went on to call for “a radical distribution of economic and political power” and saw “the evils of racism, economic exploitation and militarism” as “all tied together” that had to be tackled together.

Ali was as much a part of the heady 1960s as the Beatles. This [trash talking boxer](#) from Louisville, Kentucky even refused to serve in the Vietnam War. [In his memorable words](#), “My conscience won’t let me go shoot my brother, or some darker people, or some poor hungry people in the mud for big powerful America. And shoot them for what? They never called me nigger, they never lynched me, they didn’t put no dogs on me, they didn’t rob me of my nationality, rape or kill my mother and father ... How can I shoot them poor people? Just take me to jail.”

And to jail he went before he was eventually rehabilitated and embraced even by Republican presidents. By this time, the US was focused on the godless Soviet Union and had jumped into bed with the *mujahedeen*, [some of whom went on to form the Taliban](#). Ali himself jumped into bed with Ronald Reagan for a simple reason: “He’s keeping God in schools and that’s enough!”

Then as now, God presents a bit of a problem. Ideas about God are often accompanied about what is the good life. In 2015, the Irish voted to legalize gay

marriage. Cardinal Raymond Leo Burke, the former head of the highest court at the Vatican, was [incredulous at the Irish “defiance of God.”](#) In South Carolina, [abortion after 20 weeks of conception is now illegal](#) and doctors who flout the law will go to jail. This law is rooted in [the Christian belief that life begins at conception](#) and abortion is a form of murder.

Just as many Christians are ill at ease with homosexuality and gay marriage, so are many Muslims. Sodomy is punishable by death in Saudi Arabia, a country that *The Atlantic* termed [the kingdom in the closet](#) where restrictions on interactions between men and women make it a lot easier to be gay than straight. In India and 41 other former British colonies, [the dreaded section 377 of the penal codes outlaws homosexuality](#).

Conservative Christians, fervent Muslims and devout Hindus may not agree as to how to pray or what not to eat, but they tend to retain reservations against homosexuality and gay marriage. This weekend, cities across the US held gay pride parades. People wore daring costumes, festooned buildings with colorful banners and engaged in [Bacchanalian revelry](#). In the US, homosexuality is increasingly celebrated as a natural orientation. Cities are starting to become more hedonistic. Many now expect to make sexual choices with the same freedom with which they make political or economic choices.

Conservative Americans do not like this trend. As gay pride parades took place across the country, two took up guns to impose virtue in the land of Sodom and Gomorrah. Santa Monica Police Department arrested a man with assault rifles, ammunition and explosives near the local gay pride event. In Orlando, the police were not so fortunate. Omar Mateen, a 29-year-old, killed 50 people and wounded 53 at a gay club before he was killed by the police. Before doing so, he called 911, the number for emergency services in the US, and [declared his allegiance to the Islamic State \(IS\)](#).

Mateen, a US citizen of Afghan descent, has perpetrated the worst US mass shooting in the last 25 years. He [bought his guns legally](#) over the past few days even though the Federal Bureau of Investigation (FBI) had interviewed him thrice in connection with two different cases. Gun control advocates are already pointing to Florida’s rather liberal gun laws. The Gun Violence Archive records 372 mass shootings for 2016 already. Mass shootings are incidents where four or more people are injured or killed. The 2016

shootings have led to [475 killed and 1,870 wounded](#). To most people, it is obvious that getting guns is a little too easy, especially powerful weapons like assault rifles.

Trump is blaming “[radical Islamic terrorism](#)” and not lax gun laws. He is calling for the US to get “tough, smart and vigilant.” He is excoriating President Barack Obama for being soft on security and asking him to “immediately resign in disgrace.” In late 2015, [Trump called for a ban on all Muslim travel to US](#). He has doubled down on that stand and is engaging in Islamophobia to increase his popular appeal.

During Ali’s era, Islamophobia did not quite exist even when Malcolm X spouted fiery rhetoric replete with claims that blacks were superior to whites. Then, Malcolm X acted as the bulldog of [Elijah Muhammad](#), the founder of the Nation of Islam, claiming that the white race was incapable of generosity or tolerance and had to be fought to the bitter end. In the midst of his fiery rhetoric, Malcolm X managed to touch upon key issues such as racism, inequality and exploitation. Many were uneasy with his rhetoric, but they did not start fearing Islam as a result of it. The [Professor James Moriarty](#) of that era was the godless communist who was hell bent on destroying property, family and all decent values. He also had the atom bomb.

Today, the times have changed. On the one hand, American society has become more tolerant of what was once deviant sexuality. On the other hand, it has [experienced a loss of community](#). The pace and scale of change is causing both insecurity and isolation among individuals. College fees are high, health care is expensive, inequality is rising, jobs are hard to find and [wages are not keeping pace with the rise in the cost of living](#). Ali was buried like a saint, [but African Americans are still less equal](#) and one in three black men is likely to go to jail in his lifetime. The white working class has fallen from grace too and, in the post-bailout era after the Great Recession, is finding its living standards slipping. As [George Packer points out in the \*The New Yorker\*](#), alcohol, opioids and suicide have been increasing white mortality rates.

Like many other countries today, the US is a divided and angry land. Many who feel marginalized fall prey to extremist ideology of various ilks. The vast majority of mass shootings are done by deeply alienated young white men. At the same time, [attacks by Muslims are rising too and tend to be deadlier than by others](#). The Islamic State is now appealing to those with roots in the Middle East and South Asia instead of African Americans like Malcolm X. Its clerics, preachers and [social media marketers](#) can point

to Guantanamo Bay, the Iraq War, the drone killings in Afghanistan and other interventions by the US in the Muslim world to stoke resentment.

Just like Ali did in the past, some young Muslims connect the US intervention abroad to the discrimination they feel at home. The alienation they feel in their daily lives draws them to an imagined utopian community infused with virtue, camaraderie, service, justice and a love of God. This community is also supposedly a part of their ancestral tradition. Over time, these radicalized individuals start seeing the US as a land of sin where lust, greed and deceit dominate. For them, what could be a better time and place to restore God's will on this land than a gay club wallowing in sin and celebrating gay pride?

\*Available online at [Fair Observer](#)



# To “Put Britain First” Terrorist Murders

**Jo Cox**

June 19, 2016

*The murder of Jo Cox, a respected British MP, is emblematic of increasing individual isolation, rising anger and fraying social contracts around the world.*

This week, US President Barack Obama faced a [rebellion from 51 of his diplomats](#) who find fault with his Syria strategy. They want targeted military strikes against President Bashar al-Assad's government. They argue that Obama's current policy is not working and the Assad regime will neither observe the ceasefire nor negotiate with rebels until it is hammered hard.

In Bahrain, [Nabeel Rajab](#), a lawyer, human rights activist and political dissident, was rearrested after less than a year of freedom. The next day, [Bahraini authorities suspended all activities by the main Shia opposition group](#) to “safeguard the security of the kingdom.” In 2011, Bahrain's Sunni rulers crushed popular protests in a Shia majority country. Troops from neighboring Sunni-ruled allies helped put down largely

Shia protesters demanding greater political rights and an end to discrimination. Clearly, the Bahraini volcano smolders on.

In recent times, violence has been largely associated with the Middle East and North Africa. After all, Muslims “fight *jihad*, kill non-believers, [rape innocent young girls](#), pillage pagan temples and [destroy Bamiyan Buddhas](#).” This is a narrative that runs strong not only in the US and Europe, but also in Kenya and India. To be fair, there is an element of truth to it. Yet to tweak the words of Hamlet, there are more things in heaven and Earth than this simplistic narrative.

Almost to prove this point, violence came home to the United Kingdom this week. Jo Cox, a 41-year-old member of parliament (MP) from the Labour Party, was brutally murdered by Thomas Mair who shouted “put Britain first” twice before shooting and stabbing her. The last time a British MP was murdered was in 1990 when the Soviet Union was still around and terrorism was a political choice of many in Northern Ireland. Since then, peace has largely reigned in the UK even though many British politicians have enthusiastically engaged in foreign military interventions from Bosnia and Sierra Leone to Iraq and Afghanistan.

Cox’s murder has shattered the domestic peace. John Major, a former British prime minister, summed up the mood of his nation by saying that Cox’s death was [“particularly shocking because it is simply not what we expect in this country.”](#) As per Major, it was “doubly shocking” because “a young lady with young children, little more than babies themselves” had been killed in cold blood. He eloquently expressed the operative question: “Is this the act of a single deranged man or is this emblematic of an angry feeling that has grown not just in our country but all of Europe?”

Mair, Cox’s murderer, appeared in court giving his name as “Death to traitors, freedom for Britain.” *The Guardian* reports that he had a reputation of being a [“quiet, polite and reserved”](#) chap. Mair’s half-brother is mixed race and he has no record of racism. He reportedly helped neighbors with their gardening, volunteered at a school for children with disabilities and shopped for his mother twice a week. His house is apparently full of books.

Mair seems to be an unlikely killer. He was known to wax lyrical about the benefits of volunteering. Mair promoted it as an antidote to mental problems, saying: “Many people who suffer from mental illness are socially isolated and disconnected from

society, feelings of worthlessness are also common, mainly caused by long-term unemployment.” So, was Mair a deranged man as Major hopes or is there something more going on?

To answer that question, we have to look more closely at the MP that Mair killed. *The Economist*, no friend of the Labour Party, called Cox “idealistic, diligent, likeable and rooted in her Yorkshire constituency.” During her schooldays, she worked in a toothpaste factory and was the first person of her family to go to university, which turned out to be none other than Cambridge.

Like many commoners, she found the snooty corridors of Cambridge daunting. She called life in Parliament “a walk in the park” by comparison. After Cambridge, Cox worked for Oxfam and other charities. As an MP, she was in favor of [throwing open the doors of the UK to refugees](#) and was co-chair of the all-party Friends of Syria group. Cox was a breath of fresh air in British politics where elitist Old Etonians who have little real life experience rule the roost.

Yet Cox was running against hardening sentiment against foreigners in the UK. She was also tarred with the same brush as other politicians whom Britons, in the words of *The Economist*, view as “out-of-touch and self-centered at best; deceitful and crooked at worst.” Major rightly observes that “dissatisfaction with politics and hence with politicians” has been growing in Britain.

With the referendum on remaining or leaving the European Union (EU) drawing nigh, emotions are running high and tempers are starting to flare. John Major and Boris Johnson, the colorful former mayor of London, [had a brutal spat](#) not too long ago even though they belong to same party. The flotillas of Nigel Farage, the leader of United Kingdom Independence Party (UKIP), and Bob Geldof, an aging rock star, [clashed on the Thames](#).

Both sides have their share of honorable people and callous cads. In their clash, profound ideas about politics, economics and identity are at stake. Earlier this year, this author examined how the UK and the EU have long had [a troubled marriage](#). The English Channel may be merely a bit more than 32 kilometers at its narrowest, but it is more than a moat for a castle. This narrow strip of water has meant the history of this green and blessed isle has followed a different arc to the rest of Europe.

Unlike other EU members, the UK has no memory of Nazi jackboots or Napoléon's *Grande Armée* marching through its streets. Its "splendid isolation" has ensured a largely unbroken continuity of tradition, and its deep rooted institutions are the envy of much of the world. In the rest of Europe, the vast majority of existing borders and constitutions were born over a frenzied few decades.

The memory of the UK is uniquely dominated by its now lost empire. After all, this island nation ruled a fifth of the world's surface until 1947. The country continues to have close links with the English-speaking peoples of New Zealand, Australia, Canada, the US and even the colored members of the British Commonwealth. Its common law system operates in all its former colonies and underpins global finance even today. Unsurprisingly, the UK is a little country with quite a big head.

Apart from the Great Britain syndrome of the UK, Queen Elizabeth II's realm and the EU still retain fundamental philosophical differences that are infernally hard to reconcile. The land of Adam Smith and Jeremy Bentham is "a nation of shopkeepers" that joined the EU to trade with it. For years, the UK has seen the EU as a trading bloc, seeking to make it broader by including more nations in it. Conservative Prime Minister [David Cameron is supporting Turkey's membership of the EU](#) just as Labour's [Tony Blair once did](#).

On the other hand, the EU sees itself as a supranational entity that seeks to create a new European identity. Its bureaucrats have long sought to make the EU deeper with a common currency, harmonized regulations and shared cultural symbols. Therefore, it is little surprise that Valéry Giscard d'Estaing, former French president and former president of the convention examining the constitutional future of Europe, declared that [Turkey had no place in the EU](#) because it had "a different culture, a different approach, a different way of life."

Many Britons who love France and Europe have fallen out of love with the EU. [Michael Julien](#), a thoughtful man of French descent, believes that democratic deficit and a bureaucratic maze now define the EU. He believes that, in the long run, [the UK would be better off outside the EU](#) because Britons would have no alternative but to innovate.

Cameron, Blair and others who want to stay in the EU argue that the UK is a small fish in a big ocean. With competition from whales like the US and China, the UK would do

best to swim in the EU shoal. This would allow London to remain the financial center of the EU and Britons to move freely across the continent to work, live and trade. The International Monetary Fund (IMF), US President Barack Obama and even Chinese President Xi Jinping think that [leaving the EU is a bad idea for the UK](#). Like Julien, they have a point too.

Yet the cads on both side of the Brexit debate are rabble-rousing. As [Anna Pivovarchuk writes](#) for *Fair Observer*, “misinformation, fact-bending and outright lies” have been rife. This jostling for the hearts and minds of Britons is taking place at a time when, as Major points out, most of Europe has not seen “material increase in quality of life or standard of living.” In his words, “one has to go back to the 1930s to find such a comparatively long period of economic hardship.” Inevitably, harsh feelings and some “pretty unpalatable groups” that prey on those feelings are on the rise.

Thomas Mair appears to be an [insecure and isolated individual like Omar Mateen](#), the Afghan American who committed the recent mass shooting in Orlando, Florida. This troubled man had somehow come to believe that Cox was a traitor who was not putting “Britain first” and cared more about Syrian refugees or the EU. Like the [assassins of Tsar Alexander II](#), Mair killed Cox for absurd political reasons.

Hamid Dabashi points out that if Mair was named Mohammed Moustafa and cried “*Allahu Akbar*” then [the BBC, CNN and The New York Times would be examining Islam and terrorism with great gusto](#). They have not held UKIP and other European far-right groups to similar scrutiny. Sadly, Mair is emblematic of the rising angry feeling not only in the UK and Europe, but also in much of the rest of the world.

[The Atlantic reports](#) that Mair was a longtime supporter of the National Alliance, a US-based neo-Nazi group. As this author wrote earlier, [terrorism is rising again](#) just as in the 19<sup>th</sup> century because of increasing inequality and fraying social contracts. Far too many people have lost faith in ideas, individuals and institutions like the IMF, EU or the British Parliament. Elites have lost credibility and even honorable self-made leaders with working-class roots like Cox lose their sheen once they start working within the existing system.

In this age of cynicism when the speed and scale of change is causing new anxieties, many are retreating to religious, racial, ethnic and national identities. These troubled souls dream of a halcyon past and a utopian future. Some of them are willing to kill and

to die for their imagined identities. Both Mair and Mateen found solace for their personal demons through public acts of terror. Thankfully, unlike Mateen, Mair did not have the right to buy assault rifles.

\*Available online at [Fair Observer](#)



# Brexit Ends UK's Troubled Marriage With EU

June 26, 2016

*Angry, alienated people and England's public school elite combine to win the Brexit referendum, creating an existential crisis for the UK and the EU.*

On February 21, this author analyzed the United Kingdom's tortuous relationship with the European Union (EU) and predicted that the referendum on Brexit would be "[a damn close-run thing](#)." In a week when [Colombians concluded a peace deal after 52 years of fighting](#) and the International Monetary Fund (IMF) [warned the US over high poverty](#), 71.8% of British voted in a referendum to leave or remain in the EU. Of the over 30 million who cast their ballots, [52% voted to leave](#).

Since then, British Prime Minister [David Cameron has declared he is quitting](#). Civil war looms in the Conservative Party for its heart and soul. Full-scale war has already broken out in the Labour Party with dismissals [and mass resignations among the top leadership](#). Labour rebels believe Jeremy Corbyn, their party leader, ran a lackluster campaign to remain in the EU. They have lost confidence in him and want him out.

After the referendum, the pound fell and markets plunged. On June 24, *The Guardian* reported that [Brexit panic wiped \\$2 trillion off world markets](#). The "animal spirits" that John Maynard Keynes once talked about have turned panicky. London along with New York remains one of the two centers of global capital, and such a dramatic disruption of the status quo has spooked both buyers and sellers who tend to crave certainty and stability.

The effects of the referendum extend far beyond British political parties and markets worldwide. At stake are two entities: the UK and the EU. Both now face existential threats.

For those who are not British, the UK is the United Kingdom of Great Britain and Northern Ireland. England, Scotland, Wales and Northern Ireland remain distinct nations. The English rule the roost in the UK, but Welshmen like David Lloyd George and Scotsmen like Gordon Brown have been able to ascend to the pinnacle of power every now and then. The UK was created like almost every other nation state through “blood and iron.” The Scots, the Welsh and the Irish were the first to be colonized by the English who created a new British identity with unifying flags, currency and royalty to hold their realm together.

For much of the last 300 years, the English and the Irish have had not been the best of friends. Peace in Northern Ireland is a rather recent phenomenon. The Scots have been restive too. Less than two years ago, 84.6% of the [Scots turned out to vote in a referendum](#) on independence. Of the over 4 million who voted, 55.3% opted to stay in the UK. In the Brexit referendum, 62% of Scots voted to stay in the EU. Clearly, the two nations no longer see eye to eye on a key issue.

Unsurprisingly, First Minister Nicola Sturgeon has declared that [Scottish Parliament could veto Brexit](#). Adam Irvine, a Scotsman educated in Oxford in a tradition going back to Adam Smith, voted for Scotland to remain in the UK in 2014. On the day after the EU referendum, he changed this tune and declared: “Yesterday I was Scottish and British. Today I am a Scottish and European.”

Those in Northern Ireland also voted to stay in the EU, although by a smaller majority of 55.8%. Sinn Fein, the party representing Catholics, has already called for [a border poll on a united Ireland](#) as part of the EU. The Protestant Democratic Unionist Party backed Brexit and wants to stay on in the UK. The vote to leave the EU has reopened old wounds that go back centuries. The [Good Friday Agreement](#) of 1998 that led to stumbling but steady progress to peace in Northern Ireland is now in peril.

The good news for those who want to keep the UK together is that 52.5% of the Welsh voted to leave. The bad news is that [England’s most dynamic places](#) such as London, Bristol, Oxford and Cambridge voted to remain. [About 75% of those under 25 voted to](#)

[remain](#) with 61% of those over 65 opting to leave. About 71% of those with a university degree voted to remain, whilst 66% of those with a high school education voted to leave.

As Timothy Garton Ash, an Oxford don and self-proclaimed English European, observes, England is “[a house divided against itself: London and the rest, rich and poor, young and old.](#)” Holly Baxter has declared that [it's time for London to leave the UK and stay in the EU](#). This is not just sentimental nonsense. Baxter is onto something important. Collective identities are in question in an age of economic inequality. If you are from Barcelona, are you a *Barcelonés*, a Catalan, a Spaniard or a European?

The European nation state that straddles the globe is a rather recent phenomenon and could unravel in the 21<sup>st</sup> century as metropolises clash with hinterlands.

Brexit marks the dawn of a brave new world. Rachel Carrell, a Kiwi who came to Oxford as a Rhodes Scholar and stayed on in London, rightly points out that “the broad political consensus of the 1990s and 2000s is over.” Like many, she points out that globalization has produced both winners and losers. Free movement of goods, services and people is wonderful if you have capital or relevant skills. You can wear Italian silk ties, hire Indian virtual assistants and recruit Russian math wizards to work for you. If you have capital, you can invest anywhere anytime in anything. If you don't have capital or relevant skills, then you compete with the hundreds of millions for serving coffee, teaching yoga or giving massages. Prospects of employment are bleak, jobs pay little and you cannot rely on a broader community.

Many such [impoverished people live in the once coal mining Welsh heartland](#) and the dilapidated post-industrial towns of Northeast England. They may not have jobs or prospects, but they have the right to vote. In the words of an unhappy Londoner, it was these “swamp monsters” in places like Wales, Cornwall and elsewhere who turned out to vote. He is of the view that it is their rage that feeds the odious United Kingdom Independence Party (UKIP).

Immigration also fuels rage among *les sans culottes*. [The Migration Observatory at Oxford](#) records that the foreign-born population in the UK more than doubled between 1993 and 2014. This rise in numbers from 3.8 million to around 8.3 million put pressure on public services such as schools and hospitals. Since 2008, [real wages for the average worker have fallen by almost 10%](#) even as a [housing shortage has been](#)

[driving property prices ever upward](#). Elites in London and Brussels along with immigrants from Poland and South Asia naturally get blamed.

Lest we jump to conclusions, it was not just the *hoi polloi* who voted to leave. The Leave camp was led by Boris Johnson, an Old Etonian, a classicist, a former president of the Oxford Union, a Conservative member of parliament and the former mayor of London. Michael Gove, Boris' trusty [Sancho Panza](#), is also a former president of the Oxford Union. Even Nigel Farage, the UKIP leader, went to a public school that, incongruously in England, means an expensive school for the upper and upper middle classes.

So, what is going on?

History matters. England is a land of tradition and continuity. Apart from Charles I who was beheaded, England's upper classes have reformed in the nick of time to avoid revolution. It has a tradition of lively debate that continues to this day. As this author has written earlier, both [Karl Marx and Prince Metternich fled Europe to make England their home](#). In the words of Ash, England has escaped "the formative 20<sup>th</sup> century European experiences of war, defeat, occupation and fascist or communist dictatorship." English schoolboys at Eton, Winchester, Westminster and other public schools grow up reading how this doughty island wrecked the Spanish Armada, defeated Napoleon at Waterloo and won the Battle of Britain. They see themselves as eccentric individualists combining critical reasoning and witty eloquence in contrast to superstitious Italians, fragile Frenchmen and rigid Germans.

As per Ash, when the English decry European laws overriding their own, they are echoing Henry VIII's 1533 Act in Restraint of Appeals to Rome that famously declared "this realm of England is an empire." This memory burns strong. An Englishman of the Leave camp told this author that he would prefer Indian and South African doctors to Italian or Polish ones. He believes that even those from the [Commonwealth](#) countries have been schooled in English traditions and have more in common with the mother ship than those pesky Europeans. He has a point.

Henry VIII broke off from Rome and Elizabeth I continued that tradition. To this day, the reigning monarch is the head of the Church of England to which both [faithful Cameron](#) and [philandering Johnson](#) belong. The Scots who voted to remain in the EU are of Presbyterian heritage with philosophical roots in John Calvin's Geneva. The

Catholics of Northern Ireland who voted like the Scots still owe allegiance to Rome and not to Elizabeth II.

The English owe their allegiance to no one but themselves. They see themselves as a great civilizing force, the pioneers of democracy and the creators of the modern global economy. They are *primus inter pares* in the Commonwealth and commemorate how the English, the Scots, the Irish, the Welsh, the South Africans, the Australians and even the Indians fought the Germans at the brutal and bloody [Battle of Somme](#).

As this author observed earlier, [the UK refused to join the Treaty of Rome in 1951](#). It only joined the European Economic Community (EEC) in the 1970s when the British economy was on its back. Even Margaret Thatcher [campaigning to join the EEC in 1975 referendum](#) and, in a stirring speech, declared she was grateful that her children “have not been embroiled in a European conflict as were the children of the previous two generations.” Much water has flowed down the Thames since. The EEC is now the EU with fluttering flags, shiny steel buildings and an infamous bureaucracy.

The UK joined the EEC and not the EU. It never really bought into the idea of the EU but kept muddling through. After the Berlin Wall came down, the prospect of German unification brought back ghosts from the past. It also sowed seeds of chaos for the future. Jacques Delors, a socialist and a Catholic in the *grand dirigiste* French tradition going back to Jean-Baptiste Colbert, pushed through the Maastricht Treaty in 1992, which led to the creation of the euro. The idea was to lock Germany into the heart of Europe. Thatcher detested Delors’ vision for Europe and turned against the EU, a classic case of buyer’s remorse. The late prime minister is a patron saint of many who have voted to leave the EU. Johnson, Gove and most euroskeptic Conservatives are her political children.

In 2016, the monetary union Thatcher opposed and that Delors hastily pushed through has led to disaster. European economies on the Mediterranean adopted the euro by fudging their accounts with [a little help from Goldman Sachs](#). Then they borrowed merrily on low interest rates because investors were lulled by the euro, failed to do their due diligence and assumed that all eurozone economies were the same. When the bust inevitably arrived, the EU’s unelected priesthood in Brussels did not cover itself in glory and deepened economic misery for Mediterranean economies.

As this author observed a little less than a year ago, "[the euro project is now in question](#)." As most of Europe languishes in deep recession, high unemployment and increasing immigration, far-right parties are on the rise from Hungary and Poland to France and the Netherland. With the UK voting to leave, [the EU itself is now in question even in France](#).

Meanwhile, Johnson has joined Farage in declaring June 23 the UK's independence day. Earlier this year, he argued that the UK must get rid of "the Nanny in Brussels" to reclaim its parliamentary sovereignty. He painted a bright picture for the UK, pointing out how the country "leads in many sectors of the 21<sup>st</sup> century economy" and is home to 17 out of the 40 technology companies in the EU worth more than \$1 billion. Farage paints a parallel picture of ordinary people in distress, and [UKIP draws support from areas in the greatest economic distress](#).

Johnson is a blustery Falstaffian character who once asserted that "[French food was execrable](#)." He may be glib and economical with the truth, but Johnson is witty, charismatic, confident and eloquent. He was able to appeal to both reason and emotion when he [argued for leaving the EU](#) in *The Telegraph*. He knocked down the economic advantages of remaining in the EU by declaring: "[W]e used to run the biggest empire the world has ever seen, and with a much smaller domestic population and a relatively tiny Civil Service. Are we really unable to do trade deals?"

Now, Johnson will have to reconcile his posh supporters who want free trade with Farage's great unwashed who want to stick it to both elites and immigrants.

Unlike Johnson, Gove, Farage and Co., those who wanted to stay in the EU never made a clear case for it. Tony Blair, the slick Europhile British prime minister, constantly dodged a debate on [the idea of the EU](#). He couched the issue in technocratic terms of policy and modernization. In private, he delivered "withering criticism of the Eurosceptic press." In [public](#), "what got past his inner spin doctor was one short paragraph, so weaselly that it would have embarrassed even a self-respecting weasel."

Cameron, Blair's self-declared preternaturally self-confident heir, announced the referendum on the EU in a cavalier fashion but failed to address real fears of an angry populace. In February, he returned from Brussels, disingenuously claiming that the UK

had a “special status” in the EU. The Europhile side lacked a Thatcher-like patron saint and its leaders lacked both conviction and *cojones*. Naturally, it lost.

Now, the various components of the UK have to figure out how to deal with the rest of the world and with each other. The high and mighty in Brussels have been given due notice by an angry populace to cut out dull declarations and what critics call “[the farce of the EU travelling circus](#).” This is a time for courage and leadership to ensure that things don’t fall apart. It remains to be seen if an aging and anxious continent can respond with vim and vigor to the crisis Brexit has thrust upon it.

\*Available online at [Fair Observer](#)



# The Age of Fear, Anger, Hate and Terror

July 3, 2016

*Doomsday ideologies like the Islamic State are creating fear, which can only be countered by increasing opportunity, equity and hope.*

Istanbul, Dhaka and Baghdad have dominated headlines this week. All three cities suffered spectacular terrorist attacks. [In Istanbul](#), at least 43 people were killed and a further 239 wounded. [In Dhaka](#), 22 died and 30 were injured. [In Baghdad](#), at least 125 died and more than 150 were injured. The Islamic State (IS) claimed credit for all three attacks.

Although full details are unknown, the facts that are emerging are telling. Turkish government officials declared that the three suicide bombers who attacked Istanbul’s Ataturk Airport on June 28 are “[from Russia’s North Caucasus region, Uzbekistan and Kyrgyzstan](#).” Many pass through Europe’s third busiest airport on a regular basis. The attack has certainly created an atmosphere of fear and will have a chilling effect on [Turkey’s struggling tourism industry](#).

There are three issues to note in the Istanbul attack.

First, Turkey has already experienced a string of deadly terrorist attacks, and this is the [seventh major suicide bombing over the last year](#). As the Islamic State faces setbacks in Syria and Iraq, Turkey is its new battleground even though the country turned a Nelson's eye to its rise for years. Now, President Recep Tayyip Erdoğan, who has drawn swords against the Kurds and all political opponents, has little choice but to focus on IS.

Second, the three suicide bombers prove that foreign fighters in Syria and Iraq are a frightening proposition. The [Soufan Group calculates](#) that "between 27,000 and 31,000 people have traveled to Syria and Iraq to join the Islamic State and other violent extremist groups." The organization's December 2015 report makes for chilling reading. Foreign fighters have come from at least 86 countries, demonstrating the Islamic State's cross-border appeal to a section of young Muslims. Strikingly, the numbers from Russia and Central Asia have increased by 300% since June 2014.

Now that the Islamic State is being pummeled by [Russian airstrikes in Syria](#) and has been [beaten badly in Iraqi strongholds like Fallujah](#), it is expanding its operations abroad. The Soufan Group's report observes that the essentially local and regional phenomenon of the rise of extremist groups in Syria and Iraq might be about to change with the reverse flow of foreign fighters. The attacks in Istanbul demonstrate that there is another twist to the story. The flow might not necessarily reverse but go in different directions and cause carnage in its wake.

The terror inflicted by the Islamic State is acquiring a bigger footprint and greater unpredictability as foreign fighters leave for home or for other locations. North Africa faces a big threat. So do France and Belgium. They provide the highest number of fighters per capita, and immigrants in both these countries feel highly marginalized. Of course, Turkey that shares a border with both Syria and Iraq has a real fight on its hands.

Third, the origins of the suicide bombers highlight the increasing Islamic radicalization in North Caucasus and other parts of the former Soviet Union. Russian President Vladimir Putin first emerged as a political leader by crushing the Chechen insurgency. His policy of blood and iron has arguably brought Chechnya, Dagestan and other parts of North Caucasus to heel. Ramzan Kadyrov, Putin's loyal *satrap*, has been accused of [torturing an opponent with a blowtorch](#) and murdering Anna Politkovskaya. The

smoldering resentment in the region is resulting in young men becoming susceptible to the propaganda of IS.

The *Financial Times* reports a different reason for the [radicalization of young men from former Soviet republics like Uzbekistan, Tajikistan and Kyrgyzstan](#). In these countries, regional or local identity is far more important than the religious or national one. However, when immigrants from these places move to Russia, they lose their community and replace their local identity with a religious one.

Struggling economies and high unemployment contribute to the growing radicalization of young men from Central Asia and the North Caucasus. Tatars and Bashkirs, two predominantly Muslim ethnic groups in Russia, are also vulnerable. Russian officials initially allowed if not encouraged [homegrown radicals to go and fight in Syria](#). This was their way of buying peace at home. Unsurprisingly, Ekaterina Sokiryanskaya, a senior analyst at the International Crisis Group, points out that [Russian is the third language after Arabic and English in the Islamic State](#). For these men from the North Caucasus and Central Asia, Istanbul provided a soft and sensational target.

In the future, blowback will come to Russia too. Muslims form 11% of its population, numbering 16.5 million. Another 4 million migrants from the North Caucasus and Central Asia are Muslim too. In the post-Soviet era, Russian identity revolves around ethnicity and the Russian Orthodox Church. The minorities are reverting to Islam as identity as well. Hence, Russia's largely 20 million Sunni Muslims are [outraged by support](#) for the Alawite regime of Bashar al-Assad. The region is a tinderbox waiting to explode.

Unlike Istanbul, the Dhaka attack is more confusing. The Islamic State claims credit for the attack but the Bangladeshi government disputes this. It blames Jamaeytul Mujahdeen Bangladesh (JMB), a local militant group. On July 1, young men from well-to-do local families who studied in private schools and universities attacked a famous bakery in the posh neighborhood of Gulshan, killing mainly foreigners. Over the last two years, [Islamist radicals have been hacking bloggers, atheists and religious minorities to death](#), using little more than [machetes](#). The latest attack demonstrates that the likes of JMB are upping their game and becoming more dangerous.

In November 2015, [the Atlantic Council examined the rise of the radical Islam in Bangladesh](#). It blamed the feud between Prime Minister Begum Sheikh Hasina Wajed

and opposition leader Begum Khaleda Zia, the “Battling Begums,” for the phenomenon. In classic Americano fashion, the venerable Washington, DC-based think tank is only part right. There is much more going on. What is happening in Bangladesh is tied inextricably tied up with identity in the Indian subcontinent. Is identity ethnic, linguistic, religious, national or something else?

Till 1971, Bangladesh was East Pakistan. The taller and fairer West Pakistanis believed they were racially superior to their cousins to the east and ruled them with an iron hand. The idea of Pakistan was based on a simple premise: The Muslims in India, regardless of language, sect or caste, formed one nation. East and West Pakistan were more than 2,200 kilometers apart but were [farcically yoked together](#) as one nation by [the wonderful British who were in tearing hurry to leave after World War II](#).

The partition of India was an unmitigated disaster. It led to [massacres, arson, forced conversions](#), mass abductions, savage sexual violence and the biggest migration in history. It turned out that the so-called East Pakistanis liked speaking Bengali instead of Urdu, disliked discrimination and desired dignity. When Sheikh Mujibur Rahman, the father of the current prime minister, [won a historic election in 1970](#) and the Pakistanis refused to honor the result, the die was cast. Bangladesh emerged as an independent nation in 1971 with Indian military support despite [US President Richard Nixon’s active opposition](#).

Unlike fairy tales, life did not turn out happy ever after. Sheikh Mujibur Rahman was murdered in a military coup and General Ziaur Rahman took over as Bangladesh’s big boss. The military man made Islam become a part of Bangladesh’s constitution. Bangladesh did not return to the East Pakistan days, but General Rahman harked back to its toxic mix of religion with politics. The general, in turn, was murdered later and it is his widow who now leads the opposition.

In Bangladesh, politics is a multi-generational family feud that puts *The Godfather* to shame. Yet the fundamental issue of identity still remains at stake. To put it horrendously crudely, Sheikh Hasina wants a more Bengali identity while Khaleda Zia wants a more Islamic one.

Add youth unemployment, rising inequality and an influx of Saudi money into the mix, and you get an increasingly [radicalized Bangladesh](#).

The crumbling colonial system makes things worse. British-era legislation no longer makes sense, the police is little better than a gang, the courts are a joke, the press is dire and political parties are fiefdoms of the two Begums. Unsurprisingly, an angry and fearful people are susceptible to radical Islam.

When it comes to Baghdad, the blood is barely dry after the blasts on July 3, but it is part of an all too familiar pattern. The Islamic State conducted a massive blast during Ramadan to target shoppers who would be out late at night. It is payback for Fallujah and a clear message for Iraq's Shia-led government. The Islamic State might have lost on the battlefield, but it can still hurt Baghdad.

In 2015, this author pointed out that the world created by Sir Mark Sykes and Monsieur François Georges-Picot had fallen down like Humpty Dumpty. In its place, a messy regional conflict with multiple parties and shifting agendas has emerged. It is [the Middle East's Thirty Years' War](#). There will be blood for quite a while yet as rivalries, vendettas and agendas play out in this ravaged and ruined land.

Outside sunlit Silicon Valley, this is fast becoming an age of fear, anger, hate and terror. To quote *The Economist*, "depressed and down-at-heel" places are supporting the likes of Donald Trump, Nigel Farage and Marine Le Pen. Technocratic elites have failed the people and taxpayer-funded bank bailouts have robbed the poor for the rich. It is little wonder that people are supporting demagogues who promise to take back control. They are the so-called First World's answers to the Islamic State, and the monsters on both sides feed off each other.

If the weak have a stake in prosperity, if they believe their voice matters and if they have hope, doomsday purveyors of perverted ideologies like the Islamic State and rabble rousers like Farage will have less of a following. For that to happen, elites might have to display just a touch more humility, heed the concerns of the marginalized and develop a bit of a sense of service. Surely, that is not too much to ask.

\*Available online at [Fair Observer](#)



# Dallas Shines Light on America's Dark Soul

July 10, 2016

*Violent policing and mass incarceration are unjust, expensive and counterproductive, making reform of the criminal justice system an urgent priority for the US.*

Last week, the focus was [terrorism](#). This week, it is wanton violence in the US. On July 7, a young woman live-streamed a [video of her dying fiancé who had just been shot four times by police](#) in Minnesota. This followed a video that showed police in Louisiana [shooting an immobilized man on the floor](#). Unsurprisingly, both dead men were African Americans.

Worse was to follow. Micah Johnson, an angry 25-year old, [killed five police officers and wounded another seven](#). He also wounded two civilians. It turns out that Johnson had been a member of the US Army Reserve who had served in Afghanistan. He had no history of crime and is not a Muslim with links to sinister groups like the Islamic State. In the words of Dallas Police Chief David Brown, Johnson, an African American war veteran, was “upset about the recent police shootings.” Hence, “[he wanted to kill white people](#), especially white officers.”

Ironically, Dallas is one of the better police forces in the United States. Brown is African American himself and has ushered in a new era of community policing. [Scarred by personal tragedy](#), the police chief has focused on de-escalation instead of force and brought in a new era of transparency. The results have proved to be impressive. In an [interview with Dallas Observer](#) earlier this year, Brown pointed out that Dallas is safer now than at any time in the last 86 years.

Not all places are like Dallas in the land of Uncle Sam. Unlike the United Kingdom where [Bobbies](#) are reputed to be courteous, trustworthy and helpful, many perceive the police in the US to be a [gang of thugs in uniform](#). There are good reasons for this reputation. In 2015, *Mother Jones* featured chilling [videos of 13 police killings](#). Victims included unarmed men who were shot in the back, a homeless man who was gunned down unnecessarily and an [innocent 12-year old](#) who was summarily shot.

[The militarization of US police](#) and its trigger happy ways are well chronicled. In May 2015, [The Economist](#) summarized succinctly how the police became so heavily armed. The National Defense Authorization Act of 1990 arguably began the trend. The attacks of September 11, 2001, made militarization exponential. Washington, DC disbursed \$35 billion to state and local forces between 2002 and 2011.

In 1980, Special Weapons and Tactics (SWAT) teams were deployed 3,000 times. This figure has since risen to more than 50,000 a year. Ironically, violent crime has been falling during this period. [War Comes Home](#), a report by the American Civil Liberties Union, points out how SWAT teams are routinely used to search people's homes for drugs and escalate the risk of needless violence. [Radley Balko](#), the author of *The Rise of the Warrior Cop*, has long argued that the police increasingly pay little heed to people's civil rights or their safety, and avoid pesky scrutiny or public accountability.

In the US, the police tend to get away with use of force that includes shootings. Judges and juries sympathize with men in uniform. After all, policemen risk life and limb to keep their communities safe. The operating assumption in the US is that the police shoot first and ask questions later because they have few other options. African American neighborhoods are plagued by the curse of young single mothers, broken families, chronic drug addiction, vicious gangs and a culture of criminality. In a highly-armed society where many young African American men have far too much attitude and no respect for authority, the police are fair game. So, the police perform have to be trigger happy to minimize their personal risk of ending up six feet under.

There is only a sliver of truth to this assumption. It is true that the police face greater risks in the US than in, say, Norway. Yet part of the reason they face risks is because they use excessive force. If a young African American believes that he is likely to be beaten or shot, then he is more likely to fight or shoot back. The Old Testament dictum of [an eye for an eye](#) tends to make the world blind. Such is the scale of the problem that, even in 1994, the US Department of Justice was recommending [police psychologists to control the use of excessive force by the police](#).

Psychologists might help but the problem runs much deeper. For the last few years, *Fair Observer* has been shining the light on the race problem in the US. On April 10, 2015, this author argued that [some are still less equal](#) in the US today. The life,

liberty and pursuit of happiness continue to be in jeopardy 150 years after the American Civil War.

In fact, American statistics make grim reading. As per [a report published by the United Nations Human Rights Committee](#) (UNHRC), democratic America locks up more people than repressive Russia or oppressive Egypt. According to the Prison Policy Initiative (PPI), the criminal justice system in the US holds more than 2.3 million people behind bars. [Mass incarceration is as American as apple pie](#), leaving this country with no moral authority to preach to anyone about human rights and opening it to the justified charge of sanctimonious hypocrisy.

As the PPI trenchantly points out, the 2.3 million figure fails to capture “the enormous churn in and out” of prisons or the much greater number of people whose lives are blighted by criminal justice system. Tellingly, “every year, 636,000 people walk out of prison gates, but people go to jail over 11 million times each year.” Far too many people are locked up for drug offenses and most young people end up in jail for nonviolent offenses. A [report by the US Department of Education](#) has found that “state and local spending on prisons and jails has increased at triple the rate of funding for public education for preschool through grade P-12 education in the last three decades.” This is pure madness.

Mass incarceration is the heart of darkness in the US. Merely 5% of the world’s population lives in the land of the free and the home of the brave, but Uncle Sam takes credit for more than 20% of the world’s incarcerated population. Young black men between 20 and 24 “have a greater chance of being incarcerated than employed.” As per [the above mentioned report](#), most who end up in “prisons and jails come from disadvantaged neighborhoods in the country’s biggest cities.”

Not only is mass incarceration highly unjust, but it is also incredibly expensive. In 2006, the Spatial Information Design Lab at Columbia University found that “states are spending in excess of a million dollars a year to incarcerate the residents of single city blocks.” These “[million dollar blocks](#)” represent all that has gone wrong with the criminal justice system since the Ronald Reagan era.

In 1980, when [the Gipper](#) ascended to the throne, about 490,000 people were in US correctional facilities. That number has since exploded thanks in no small part to [the War on Drugs that Reagan declared on in 1982](#). Most studies conclude that drug use is

similar among blacks and whites. Yet the UNHCR report documents that, between 1980 and 2000, the black drug arrest rate in the US rose dramatically from 6.5 to 29.1 per 1,000 persons, while the white drug arrest rate increased marginally from 3.5 to 4.6 per 1,000 persons.

Reagan is venerated as a great god in the Republican pantheon where some devotees place him on the same pedestal as Abraham Lincoln. In this Americano myth, the Gipper was a visionary leader who slayed the fire-breathing dragon of communism, unleashed the power of the markets, and ushered in reforms that got the [government off the backs of an oppressed people](#). The reality is that this third rate actor played dog-whistle politics to gain the support of white supremacists and kicked off his 1980 election campaign at the [Neshoba County Fair](#).

Neshoba County in Mississippi evokes frightening memories from the American past. It was here that [three civil rights workers were shot on one dark night in 1964 on a lonely road](#). They were volunteers working in the Civil Rights Movement, chipping away segregation, exploitation and white domination in the Deep South. After all, this was once a land of slavery where “negroes” were tortured, raped and killed with impunity for years. The Ku Klux Klan had been carrying out [a campaign of terror](#), but by killing three young white men they crossed a bridge too far. The Gipper who [opposed the Civil Rights Act of 1964](#) and [supported the South African apartheid regime](#) was turning the clock back to the pre-1964 era.

In Neshoba, Reagan declared that he believed in states’ rights—a claim that harks back to the legacy of slavery, [Jim Crow](#) and segregation in the Deep South. When Reagan was elected, this self-professed small government champion unleashed the power of the state against the marginalized and the impoverished. Unsurprisingly, these happen to be descendants of African slaves that were brought in to pick cotton at the [lovely ante-bellum plantations](#) south of [the Mason-Dixon Line](#).

In March 2015, the [Department of Justice published a telling report](#) on the Ferguson riots of the previous year. It chronicled how the city increased municipal fines and fees to earn revenues. This turned the police into vigilantes who violated the Fourth Amendment that secures citizens against unreasonable searches and seizures. One of the cases mentioned in the report was that of an African American who was arrested at gunpoint, falsely accused of being a pedophile and then charged with eight violations of the municipal code, causing the loss of his long-standing job as a contractor with the federal government. The report chronicled a familiar story of racism, discrimination,

exploitation, arrogance, abuse and impunity that infuriate black communities across the country.

In April 2016, the Executive Office of the President of the United States released a [report analyzing the economics of incarceration and criminal justice system](#). It calculated the incarceration rate to have grown by more than 220% between 1980 and 2014. It blamed “higher conviction rates and longer sentences” for what it called “the incarceration boom.” Unsurprisingly, this report made the common sense argument that better education and more jobs would cause a greater drop in crime than locking up people willy-nilly. Apart from the \$270 billion that the criminal justice system costs every year—of which \$80 billion is the cost of incarceration alone—there are “indirect costs, or collateral consequences,” for individuals, families and communities.

Once upon a time, not a very long time ago, killing Native Americans and bringing slaves from Africa made sense. European settlers needed land and natives were in the way. Some of this acquired land was fit for cotton cultivation, and the US lacked populous lower castes as in India or serfs as in Russia. Dark skinned savages from Africa who could work in the blazing sun were the answer. Locking up the descendants of these slaves makes no sense as it costs far too much and fails what some [worthies in the White House](#) call the “cost-benefit test.”

Truth be told, the US has waged class war and criminalized poverty surreptitiously for more than three decades. Punitive laws, draconian policing and tough sentencing unjustly and expensively lock up far too many people for much too long. The status quo is untenable. Simmering volcanoes of anger and resentment are likely to erupt as in Dallas. It is high time for the US to end the madness of mass incarceration.

*\*Available online at [Fair Observer](#)*



# Blood on the Bosphorus as Purge Follows Failed Coup

July 17, 2016

*In a week of much violence, the attempted coup in Turkey marks the limits of appeals to ethnicity or religion as a basis for a state.*

This week has turned out to be more eventful than a Hollywood action film. In France, Mohamed Lahouaiej-Bouhlel, a 31-year-old man of Tunisian origin, ploughed a truck into a [crowd watching fireworks on Bastille Day](#). This is a day when France celebrates its 1789 revolution with much joy and bonhomie. Instead, *la grande nation* mourned its dead as it suffered a third major terrorist attack in 18 months. In Nice, a glitzy glamorous town on the resplendent French Riviera, at least 84 people died and 303 ended up in hospital.

*Côte d'Azur*, as the French call this stunning part of the world, has an ugly underbelly that few apart from intelligence professionals have been concerned about until recently. In the aftermath of the Nice attack, the BBC tellingly examined how Salafist ideology has spread among marginalized Muslim youth making *Côte d'Azur* not only the playground of the rich, but "[also a breeding ground for jihadists](#)."

In Kashmir, Indian security forces killed Burhan Wani, a 22-year-old charismatic militant. Thousands attended his funeral and violent protests erupted. [According to Al Jazeera](#), over 30 have been killed and hundreds more injured in clashes with security forces. Since 2001, Kashmir has been relatively peaceful except for two brief uprisings in 2008 and 2010. However, [Salafism has been on the rise for the last few years](#) in this historically Sufi land where discontent and despair with rule by New Delhi has led largely unemployed and unemployable young men to take to the gun.

In South Sudan, civil war shows no sign of ending. This week, the United Nations (UN) declared that millions faced "[deepening hunger](#)" thanks to continued fighting between rival forces of President Salva Kiir and Vice President Riek Machar. At least 300 people died in four days of fighting and 42,000 fled Juba, the national capital. The UN estimates that [the number of refugees could soon hit 1 million](#). Reports of gang rape, cannibalism and wholesale burning of villages are rife. Meanwhile, drought, disease

and malnutrition stalk the land. In [the June edition of Africa This Month](#) at *Fair Observer*, Samuel Ollunga and this author painted a grim picture of South Sudan. Tragically, that picture just got worse.

All of this pales in comparison to developments in Turkey. On July 15, some officers of [the military attempted a coup](#). In Istanbul, they rolled tanks on the iconic Bosphorus Bridge that connects Europe and Asia. Jets and choppers flew over the Ankara skyline. Bullets were fired and shells exploded. Soldiers took over the Turkish Radio and Television Corporation (TRT), the public broadcaster, to announce the end of political rule and imposition of martial law.

When the military officers made their move, President Recep Tayyip Erdoğan was [vacationing in the Mediterranean resort of Marmaris](#) on the Turkish Riviera in Anatolia, [a bastion of loyalty to the president](#). The timing was seemingly perfect. Hulusi Akar, Erdoğan's loyal army chief, was detained by the rebels and held hostage. The [counterterrorism chief was shot in the head](#). Slippery Erdoğan got away though. He [used FaceTime](#) on an iPhone to speak with CNN Türk and denounced the attempted coup as "an act of treason." The Turkish president flew into Istanbul to rally supporters and crush the attempted coup. He called on people to take to the streets, which they duly did to deadly effect.

Thousands flooded the streets to fight for their fledgling democracy. Mass defiance of the rebels demonstrated that their writ did not run at all. Meanwhile, the dithering and disorganized rebel leaders wilted under the incandescent fury of the crowds. Soldiers abandoned their tanks to surrender with [their hands up](#) in the air. Soon, jubilant crowds celebrated on tank tops [chanting Allahu Akbar](#) (God is great).

This victory of *vox populi* over military fiat has come at a price. The attempted coup has left at least [265 people dead](#) and more than 1,440 injured. It has been followed by a full-scale purge. Already, [6,000 people have been arrested](#). Of these, 2,745 are judges. Erdoğan has vowed "to cleanse the virus" of revolt "from all state institutions." Vendetta is in the air as he is proposing to bring back the death penalty. It is now beyond doubt that Erdoğan, increasingly a modern-day sultan, is tightening his viselike grip on power.

Yet something more fundamental is going on. Apart from the deluge of details flooding television channels, news websites and social media, the elephant in the room is the

question of identity. Less than 100 years ago, Istanbul was the capital of the sprawling Ottoman Empire. Like the English and the Austrians, the Turks had ruled over a vast realm—both Christian and Muslim in Europe and Asia. By the time World War I came knocking, Turkey was [the sick man of Europe](#). To quote a [1924 article in \*The Economist\*](#), “its rule was everywhere ineffective, its sovereignty imperfect, and its power a shadow.”

Incredibly and incongruously, Sunni Muslims around the world still venerated the effete, incompetent and opulent Ottoman sultan as the caliph. So much so that Muslims in modern-day India, Pakistan and Bangladesh launched the [Khilafat Movement](#) against their British masters to defend the caliph. Of course, Arabs who had been ruled by the so-called caliph were not too keen to return to his yoke. They had discovered nationalism, a rather seductive European idea.

It turned out that some Turks themselves were seduced by this idea. From the ashes of ignominious Ottoman defeat, Mustafa Kemal Atatürk created the Republic of Turkey after a stirring fightback against the victorious allies. As this author explained in 2015, Atatürk “[adopted \*laïcité\*, the French idea that imposes a strict separation of church and state](#).” Out went *sharia* (Islamic law) and the old Arabic script. In came new penal and civil codes penned in the Roman alphabet. A new secular nation state based on science and knowledge instead of superstition and religion was born.

To do this, Atatürk abolished the caliphate. To understand the significance of this event, we could think of it as akin to the ending of the Vatican for the Catholic world. By tradition and theory, the caliph reigns over a united Muslim world. That is precisely why Atatürk was not content to merely abolish the caliphate. The very next day he sent [Abdülmecid II](#), the last sultan and caliph, packing from Dolmabahçe Palace into exile.

Atatürk’s new nationalism was based not on religion, but on ethnicity. All Turks were meant to be one people. However, the [pesky Kurds wanted to be different](#). The Allies had promised them [an autonomous homeland](#) in the Treaty of Sèvres. They did not take kindly to Atatürk’s authoritarian centralized rule and resented his attempts to [impose cultural homogeneity through policies of Turkification](#). The Kurds found their language banned and their centuries-old way of life upended in the new Kemalist state. Inevitably, the Kurds revolted. Unsurprisingly, Atatürk crushed them with an iron hand.

Till today, the Kurds remember the grimly grisly Dersim Massacre of 1937-38. The fabled French university [Sciences Po records](#) that thousands of Kurds were slaughtered, many more resettled, some were burnt alive, others were subjected to poison gas, entire villages were gunned down and soldiers had orders to kill even women and children. [Martin van Bruinessen has described the Dersim Massacre as ethnocide](#), a deliberate destruction of Kurdish ethnic identity. Kani Xulam, the director of the American Kurdish Information Network, has gone so far as to likening [Atatürk to Selim the Cruel, Genghis Khan and Attila the Hun](#).

Despite Atatürk's best efforts, neither devout Muslims nor recalcitrant Kurds entirely embraced his ideals. Most Turks, especially those in Anatolia, continued to be pious Muslims. Most Kurds continued to assert their identity often through [passionate and primal poetry](#). The secular military kept Muslim parties in check and rebellious Kurds under control. It developed a [tradition of conducting coups](#), the first three occurring in 1960, 1971 and 1980. In 1997, a more sophisticated "postmodern coup" forced the newly elected Islamist prime minister to resign.

At that time, Erdoğan was the mayor of Istanbul. Within a year, the dynamic mayor found his Islamist party banned and himself in jail on the charge of inciting religious hatred. Luckily for Erdoğan, the times they were [a changin'](#). Turkey's NATO allies were increasingly uncomfortable with coups or military rule now that the Cold War was over. More importantly, Turkey's secular elite had become effete like the Ottoman one before it. The worthies in Istanbul and Ankara were seen as corrupt, incompetent and arrogant. Erdoğan damned them for drinking "their whiskies for years overlooking the Bosphorus" and for looking "down on everyone else."

Eventually, energetic and efficient Erdoğan triumphed in the elections and ascended to power as prime minister in 2003 and president in 2014. He has never looked back. In the early years of his premiership, Erdoğan invested in infrastructure and education. He enhanced labor rights and ushered in [historic health care reforms](#). Many of his fierce critics admit that Erdoğan's reforms boosted economic growth and created jobs. Erdoğan used the strong Turkish economy as a base to change the direction of the country.

First, he clipped the wings of the military. Even while looking to the nearby Middle East and the wider Muslim world, Erdoğan actively pursued accession to the European Union (EU). This allowed him to put the military budget under scrutiny and whittle down

the power of the generals. When the military tried to intimidate voters in the 2007 election, Erdoğan grabbed the chance to bring the army firmly under his thumb. He allied with the [Gülen movement](#) to initiate a series of high-profile court cases against the generals. All the chiefs of different forces eventually resigned and a number of high-ranking officers ended up in jail.

Second, Erdoğan initiated a *rapprochement* with the long-suffering Kurds. He allowed the Kurdish language to be used in the media and in political campaigns. He restored Kurdish names of towns and cities that had been given Turkish ones. In November 2011, he even [apologized for the Dersim Massacre](#). Erdoğan was able to be more inclusive to the Kurds because, unlike Atatürk, he bases Turkish identity more on Islam and less on ethnicity.

Third, Islamism became a guiding principle for Erdoğan both at home and abroad. Not only did headscarves come back in fashion, but he also projected himself as a new kind of Muslim leader who was willing to stand up to the West. He famously [walked off the stage at the World Economic Forum](#) when he was not allowed to respond to Israeli President Shimon Peres' comments on Gaza. He initiated what Kadri Gürsel in *Al Monitor* has termed an [Ottoman Middle East Policy](#).

In the course of changing the country, Erdoğan has concentrated power in his hands. He has fallen out with old friends such as Fethullah Gülen, the leader of the movement that helped him castrate the secular generals not too long ago. In fact, [this attempted coup is different](#) from the previous ones because it is officers of Gülenist factions who organized it. Their claim on TRT that they were acting to protect Turkey's secular democracy and restore its separation of powers was an attempt to gain legitimacy and increase public support.

Bit by bit, Erdoğan has been losing public support. In June 2015, [his party lost its parliamentary majority](#). This was in part because Erdoğan crushed mass protests that broke out over [Istanbul's Gezi Park](#) in 2013. Another reason, as [Michael Werz argues in \*Der Spiegel\*](#), is how the Justice and Development Party (AKP) led by Erdoğan has become an abode for "patronage, corruption, and careerism." Lacking inner party democracy or intellectual ballast, the AKP is a conglomeration of yes men who kowtow to the inflexible and insular Sultan Erdoğan.

In elections in November 2015, Erdoğan only rode back to power by creating a siege mentality. He declared war on both the Islamic State (IS) and the Kurds. This was most ironic. For years, Erdoğan had turned the Nelson's eye to the rise of IS in neighboring Syria and Iraq. In 2014, [Turkish tanks idled as the IS-besieged Kobane](#), fueling suspicions that the president was secretly supporting the Islamic State to weaken the Kurds. The de facto creation of Kurdistan in northern Iraq and Syria has heightened Turkish fears that the nation state Atatürk created by snatching victory from the jaws of defeat might be in peril. Besides, Erdoğan has never liked the Alawite regime in Damascus that is backed by Russia and Iran, Turkey's historic rivals. In Erdoğan's eyes, the Islamic State might have been a de facto ally because it was fighting old enemies and curbing their influence.

The attempted coup demonstrates that Erdoğan can no longer run with the hares and hunt with the hounds. His reliance on religion has reached its limits. Not only does he not offer the radical millenarian vision of the Islamic State, but he also fails to evoke the piety of his old friend Gülen. Erdoğan's unappetizing appeal to Atatürk's ethnicity model is also not the answer. It will fan nearly a century of Kurdish resentment and tear Turkey apart.

Like Robert Mugabe of Zimbabwe, Erdoğan's mad grab for power is destroying Turkey. So low is public trust that many believe that the president might have orchestrated the failed coup or deliberately allowed it to proceed in order to strengthen his hand. Meanwhile, the economy is going down the drain and competent allies like [Ahmet Davutoglu](#), prime minister till May, are quitting like rats on a sinking ship.

Perhaps all is not dark. Every party, including those who strongly oppose Erdoğan, was against the coup. As an intellectual mused in Istanbul, "Life is going to go on. It was no picnic last week and now will be only marginally worse. Those that can get out will but I have to stay positive that those that stay will endure. This is still a better outcome than a military junta. In Turkey, perhaps we should be thankful for small blessings."

*\*Available online at [Fair Observer](#)*



# The Age of Donald Trump

July 24, 2016

*Trump and other far-right leaders are on rise because existing elites have broken their social contract by failing to address longstanding problems or resolve deep inequalities.*

This week, another “[shot went astray](#)” in the United States and hit an African American man with his hands up in the air. The police claim that they were trying to save the victim from someone they perceived to be a suicidal gunman. It turns out that this dreaded gunman was a poor fellow suffering from autism and holding a toy truck. The police officer who pulled the trigger is unrepentant and claims he made an honest mistake in the split second he had to make a decision.

Meanwhile, China suffered [catastrophic floods](#) and Germany experienced the madness of a [mass shooting in Munich](#). In Ukraine, murder was more sinister. Pavel Sheremet, a prominent Belarussian investigative journalist with a reputation for independence and integrity, was [killed by a car bomb](#). In Turkey, President Recep Tayyip Erdoğan’s [purge continues after the failed coup](#). The government is sacking civil servants, police officers and teachers. In his first decree under a new state of emergency, [Erdoğan closed 2,341 institutions](#), including schools, charities, unions and medical centers. Even the elite [presidential guard is to disband](#) as Stalinist paranoia thickens the Istanbul air.

The United Kingdom and the United States are responding to such perilous times with much aplomb. British Prime Minister Theresa May declared that she was [prepared to authorize a nuclear strike](#) that could kill 100,000 innocent men, women and children. In response to a question in the House of Commons, the vicar’s daughter stated: “The whole point of a deterrent is that our enemies need to know that we would be prepared to use it.”

Yet May is but a wilting wallflower as compared to the man across the pond who wants to be king. Donald Trump is now the anointed chieftain of the party of Abraham Lincoln. The Republican Party and the US have traveled a long way indeed. So, what is going on?

In 2013, this author published "[Happy Birthday America](#)" on the Fourth of July, a day when the US celebrates its independence, arguing that the post-war contract was dead. Companies like Apple, Amgen, Google, Facebook and Uber are still doing superlatively well. The best engineers and designers from around the world want to work for them. People use Uber whether in Mumbai or in Munich. Wall Street is still the financial center of the world and Silicon Valley is the hub for innovation.

Yet manufacturing has been in decline, real wages are falling and a diverse society is becoming more divided. Income inequality is increasing exponentially. A [2011 report by the Congressional Budget Office \(CBO\)](#) found that income grew by 275% from 1979 to 2007 for the top 1% of households in contrast to a mere 18% for the bottom 20%. Thanks to quantitative easing by the Federal Reserve that has boosted asset prices, [wealth inequality has grown even more shockingly](#).

The wealthy are not only beneficiaries of quantitative easing, but also of a most favorable tax regime. Those who earn their money through investments pay lower rates of taxes on their capital gains, while those who work for their living pay a higher rate of income tax on their wages. So, Warren Buffet is "[still paying a lower tax rate than his secretary](#)." More importantly, those who inherit their wealth like America's infamous trust fund babies pay less tax than those who work to earn it like [Joe the Plumber](#).

Even as real wages have been falling, "[the cost of housing](#) – rent, mortgage payments, property taxes, insurance repairs, upkeep, utilities – has been growing steadily." Obamacare has expanded coverage but [costs of health care keep rising relentlessly](#). Even more significantly, [the cost of education has been rising dramatically](#). Going to university burns a hole in parents' pockets or saddles students with large debts.

Getting a [decent paying job after university is not guaranteed](#) unless you major in computer science. For minorities, jobs are harder to find still. The senior leadership of Facebook is merely "[3% Black, 3% Hispanic and 27% women](#)" because appropriate representation at the top "in technology or any other industry will depend upon more people having the opportunity to gain necessary skills through the public education system." Facebook rightly implies that this system is largely broken.

A 2014 [report](#) by the Organization for Economic Co-operation and Development (OECD) captures in greater detail what Facebook merely alludes to.

Access to education is diminishing for ordinary Americans. This, combined with inequality, is [lowering social mobility](#) as Brookings' Hamilton Project policy memo succinctly documents. In fact, as Joe Pinsker points out in *The Atlantic*, [social mobility in the US is even lower than what most economists thought](#). The Great American Dream is now just a dream with little basis in reality for most Americans.

For many, the dream has now turned into a nightmare. On July 10, this author examined [the dark soul of the US in the aftermath of the Dallas shootings](#). Too many African American men are shot for no reason and locked up at too high a cost, creating a culture of anger, resentment and criminality. Yet there is a pervasive belief that turning soft on crime would lead to anarchy and blood on the streets. Many Americans are terrified of the attacks on the police and scared of Muslims, the new bogeymen that have replaced communists in the American psyche. After all, these bearded followers of a Middle Eastern prophet might just fly planes again into big buildings as on September 11, 2001.

Insecurity and fear now stalk the land of the free and the home of the brave. This is country that is afraid of its own shadow. In a convention that was eerily reminiscent of a Roman spectacle, Donald Trump called this "[a moment of crisis for our nation](#)." He promised "safety, prosperity and peace" to a land reeling under a crisis of confidence despite its repeated chants of "USA, USA, USA."

Trump is an unsavory character to say the least. This author has called him America's Silvio Berlusconi *sans* the Italian's roguish charm or wit. Sadly, for all his faults, [Trump has a point](#). The elites that run the US have lost legitimacy. They have painfully failed to recognize that the social contract that has kept them on top is broken.

Bill Clinton's siren songs seduced the US and much of the world into a [new era of globalization](#). It promised more democracy, better technology and greater prosperity. Part of this new deal involved revoking [Franklin D. Roosevelt's New Deal](#). In particular, Clinton's *consiglieres* repealed [the Glass-Steagall Act of 1933](#) that allowed banks to become too big to fail. Critics like [Byron Dorgan](#) who made prescient predictions were cast into the shadows. The costs of globalization like the loss of manufacturing jobs and falling real wages were swept under the carpet by the housing bubble and cheap goods from China.

Now, the chickens have come home to roost. An angry electorate is seeking solutions to complex problems. Like many authoritarian figures, Trump is offering quick fixes by picking on minorities like Mexicans and Muslims. Illegal immigrants who kill 21-year-olds like Sarah Root are his bogeymen. Trump paints a picture of “domestic disaster” and “international humiliation.” Iran, Libya, Syria, Iraq *et al* point to the chaos that has resulted from weakness of [a foreign-born Black Muslim president](#).

Trump is evoking ghosts of the past and drawing parallels from the present. For many like [Garry Kasparov](#), the real estate billionaire and reality television star is a dictator in the making. [Glenn Carle](#), a man who was a high-flier in the Central Intelligence Agency and opposed George W. Bush’s government on torture, has damned Trump for stoking anger, division and hate. In his words, “Our national culture seeks to be inclusive and is not defined by race, color, creed, gender or class. It is forward-looking, not resentment-filled. It is hopeful not vengeful. It is open, not exclusive. It is a series of ideas and ideals, not a heritage of one particular group. That is what separates us in history: we are a nation of ideals, not a nation of blood or soil or class.”

For Carle, Trump is segregationist, racist, xenophobic and populist. Carle is alarmed for the future of his country—its freedoms, its system of government and its social compact. For him, this is an existential moment where the culture, the institutions and the freedoms of the US are at stake. *The Washington Post* agrees. In its words, [“Donald Trump is a unique threat to American democracy.”](#) It dissects Trump with a scalpel, revealing his self-serving dishonesty, gargantuan ignorance and contempt for democratic norms in fine detail. The iconic American newspaper argues that Trump’s snarl and sneer, denigration and division “could strain the bonds that have held a diverse nation together.”

Other Americans take a different point of view. A [county in Ohio that picks presidents is leaning toward Trump](#). One of its residents says that he is fed up with politicians and would like a businessman in charge. Others like Newt Gingrich and Sean Hannity go further. They drool with admiration for Trump and his [“beautiful family, well raised, confident, so tied into his crusade.”](#) At the Republican National Convention, many leading lights of the Republican Party stayed away. Instead, Trump was heralded by his rather glamorous family. Like a sycophantic medieval courtier, Gingrich chimed: “Even at their peak, the Kennedys did not have this level of sheer talent and then they were very talented people.”

Most ironically, the nation that once kicked out George III is turning to a *nouveaux riche faux* royalty to solve its problems. Sadly, the mannequin-like little Trumps with their pomposity, preening and privilege lack any sense of *noblesse oblige*. These *arriviste* charlatans assume that they deserve fealty because of their wealth. Their followers buy into the same belief and apotheosize the Trump clan, seeing in it a reflection of family values that could rescue their country.

The apotheosis of Trump and his family is a logical culmination of “[the cult of success and the worship of Übermensch](#)” that defines the US. Ronald Reagan inaugurated the “[greed is good](#)” era by unleashing markets, beating evil communists, [flirting with segregationists](#) and [supporting apartheid South Africa](#). Trump is only a modern-day Reagan with worse hair, shriller tones and greater menace.

In Hillary Clinton, Trump faces a formidable but flawed candidate. In Trump, Clinton faces a tricky demagogue. Already, a poster child of Silicon Valley has fallen to Trump’s charms. Peter Thiel, the godfather of the PayPal mafia and the first investor in Facebook, was at the convention to trumpet Trump’s virtues. This gay German immigrant trashed Wall Street bankers for inflating “bubbles in everything from government bonds to Hillary Clinton’s speaking fees.” Thiel, a modern, real-life Gordon Gekko, lamented the decline of the country that once completed the Manhattan Project and hailed [Trump as the man who would end stupid wars](#) in the Middle East and rebuild America.

In Trump’s own words, “[something very bad is going on](#)” and Clinton faces one hell of a fight as even venture capitalists turn anti-establishment with a vengeance. Trump is an American phenomenon who is part of a worldwide trend. He represents a global failure of elites. They have failed to address questions pertaining to deep inequalities and collective identities. Their technocratic proclamations are inadequate, insipid and uninspiring.

Hence, after decades of relative obscurity and quiescence, the far-right is back in the fray. In the Philippines, President Rodrigo Duterte is [urging people to kill drug addicts](#). Austria faces another election where a [Glock 9mm pistol-packing Norbert Hofer](#) has a fair shot at the presidency. In France, Marine Le Pen is the respectable [face of the immigrant-bashing far-right](#) and is [backing Trump](#).

This is [an age of fear, anger, hate and terror](#). This is the age of demagogues and it soon could be the age of Donald Trump.

\*Available online at [Fair Observer](#)



## Two-Party System Begins to Crack

July 31, 2016

*As societies become more diverse and divided, two parties are struggling to represent contending interests in rambunctious democracies.*

This week, Hillary Clinton was anointed as the Democratic Party presidential candidate in the regal style of Roman emperors. She did make history. She is the first woman to be a presidential candidate in the United States. The United Kingdom is on to its second female prime minister. Angela Merkel is the matriarch of Germany. Even India with its [infamous female infanticide](#) and [scandalous sexual violence](#) has had Indira Gandhi as prime minister and Sonia Gandhi as de facto prime minister. So, the supposedly emancipated land of bra-burning feminists is a little late to the party.

After the Republicans held their convention with “[the mannequin-like little Trumps](#)” exuding “pomposity, preening and privilege,” it was the turn of the Democrats to put up a jolly good show. Sure enough, A-list celebrities turned up at the convention. So did bigwigs, including President Barack Obama. As celebrities and bigwigs extolled Clinton’s virtues in hyperbolic paeans, the audience waved placards, clapped endlessly and erupted in paroxysms of delight. Yet not all is well in Hillaryland.

An uncannily timely leak of private emails provided many Democrats irrefutable evidence that Debbie Wasserman Schultz, the lovely chair of the Democratic National Committee (DNC), had not exactly been honest or straightforward in her role. The emails proved that she had been plotting to sink the candidacy of Bernie Sanders. This is an argument that Veena Trehan had forcefully made when she stated that the DNC had “[been strongly biased against the Sanders campaign](#).” Then, Trehan had aptly

noted that Wasserman Schultz was Clinton's 2008 campaign co-chair and was indulging in too many disconcerting shady dealings for her old boss.

Naturally, supporters of Sanders were not in a terribly good mood when the Democratic convention kicked off. [Wasserman Schultz had to resign](#) before she could swan around in the spotlight. Even Sanders was booed by his own supporters when he belatedly turned cheerleader for Clinton. The BBC insinuated that the Bernie [revolution was beyond his control](#). The [Beeb](#) had a point. Despite [Obama's soaring eloquence](#) and [Bill Clinton's seductive charm](#), the Democrats still suffer angst, dissent and strife.

Before Democrats get too depressed, they could look at Republicans for some restorative *schadenfreude*. In the words of John Oliver, an English comedian whose not-so-posh accent is still gold standard in the US, "[the Republican Party doesn't seem to currently exist](#)." Like the Elizabethan fool in motley, Oliver makes an important point. As populations have increased and societies have become more diverse, two-party systems are beginning to crack.

Political parties are part and parcel of modern democracies. Yet it is important to remember that democracy itself is a rather newfangled thing. Unlike good old Queen Elizabeth II, democracy cannot hark back to traditions from time immemorial. The queen has the advantage of being the big boss of the Church of England and commands allegiance, temporal and spiritual, in theory if not in practice.

Neither Tony Blair nor David Cameron command the same public respect. They are mere politicians who climbed their way up the greasy pole. To do so, they captained their parties. Since democracy implies rule of the people, citizens come together to make collective decisions. The like-minded coalesce around certain principles to form parties. Over time, parties acquire characteristics of other institutions. They develop their own dogma, clergy and laity. People tend to vote like their parents. Even if they do not agree with everything their family or party stands for, they still identify with it.

Some countries have more parties than others. More often than not, [electoral systems are a reason for this phenomenon](#). If a country chooses proportional representation, then it is likely to have a larger number of parties. In this system, parties get the same number of seats in the legislature as the percentage of their votes. So, a party gets 30% of the seats if it gets 30% of the votes. In countries that choose some form of

proportional representation such as Germany and Israel, the number of parties tends to be high.

Some other countries have just two main parties such as the US and the UK. Such countries have a winner-takes-all system. The candidate who gets the most votes is supposed to represent everyone. In the US, this means that a congressman could be elected with 50.01% of the votes cast. In 2014, just 36.4% of eligible voters cast their ballots, making the [midterm election turnout the lowest in 70 years](#). This means the 50.01% majority congressman would have won office with barely 18.2% of the total votes. In the UK, [winning a bit more than a third of the vote](#) is usually enough to ride to power.

This system has worked decently for the US and brilliantly for the UK.

The latter has been a longstanding democracy with a culture of basic freedoms and healthy debate. Its parties have been broad churches, much like the Church of England. [Warmonger Tony Blair](#) and [prudent Gordon Brown](#) could both coexist in the same cabinet even while jostling ferociously behind the scenes. [Cavalier](#) David Cameron relied on [Roundhead](#) Theresa May to take care of domestic matters.

In the US, two parties have dominated from the early days of the republic. From the Federalists versus Antifederalists to Democrats versus Republicans, it has been a long journey but a third party has failed to emerge. Even during the [Gilded Age](#), the [Populists failed to break the monopoly](#) of the Democrats and Republicans. [George Wallace](#) campaigned as a third-party candidate in 1968, [only to hand the presidency to Richard Nixon](#) and then return to the Democratic Party with his tail between his legs. Both parties have proved dynamic institutions that have not only absorbed multiple interest groups, but also morphed over time.

Once, Democrats were the party of slavery while Republicans were led by Abraham Lincoln. Now, Democrats are the party of Obama, the first black president, while Republicans are the party of Ronald Reagan, a leader who [flirted with segregationists](#). This switch occurred because of Lyndon B. Johnson, a Democratic president, who ended decades of segregation by [signing the Civil Rights Act of 1964](#). Consequently, Strom Thurmond, an extremely energetic senator from South Carolina, a Bible-reading redoubtable [foe of integration](#) and the father of an [illegitimate black daughter](#), stormed out of the Democratic Party.

Thurmond changed the political landscape of the country. From now on, Lincoln's Republicans became the party of segregationists. It is little surprise that Reagan began his 1980 campaign by appealing to them. In a classic case of dog-whistle politics, [the Gipper](#) launched his campaign at [Mississippi's Neshoba County Fair](#) in front of 10,000 raucous white supporters with a ringing endorsement of "states' rights," which frankly was code for the right of the Deep South to persist with segregation. More damningly, Neshoba County was where three civil rights workers were murdered in 1964. The symbolism was not lost on his supporters.

Reagan was only reading from the script that Thurmond had penned in 1964. As *The New York Times* duly recorded in Thurmond's 2003 obituary, the man fond of fondling women in the US Senate elevators accused the Democratic Party of "leading the evolution of our country to a socialistic dictatorship," for forsaking "the people to become the party of minority groups, power-hungry union leaders, political bosses and big businessmen looking for government contracts and favors," for invading "the private lives of the people" and for supporting "judicial tyranny."

The likes of the Gipper and [Slick Willie](#) had broad appeal. The former was supported by anti-communists, white working class, segregationists and many other groups. Slick Willie managed to win over African Americans, white working class and bigwigs in Goldman Sachs. The US of both Ronald Reagan and Bill Clinton was dominated by two parties that were broad coalitions.

Since then, three trends have changed not only the US and the UK, but also most other countries.

First, societies are more divided and diverse. In the last edition of [The World This Week](#), this author analyzed increasing inequality and decreasing social mobility in the US. While the statistics are extreme for the land of Uncle Sam, even [Swedish equality is fading as the rich get richer](#).

Furthermore, societies have become more diverse in their beliefs, ethnicities and interests. In the US, the Lululemon-wearing, yoga-practicing and aragula-eating descendants of the Puritans differ in their sensibilities and aspirations from the overall clad, devoutly Catholic, tamales-loving *mestizos* who have come north to mow lawns, repair cars and do the work that Americans shirk. Then, there are Indian doctors,

Korean entrepreneurs and Chinese engineers who have widely divergent interests. It is inconceivable that just two parties will be able to represent everyone in the US.

Second, established parties have gradually lost credibility. Their elites have turned narrow, technocratic and sclerotic. They are no longer truly representative. A [Gallup poll](#) found that a record 43% of Americans are now political independents who do not identify with any party. More importantly, the old coalitions have fractured. [Robert Rubin](#) and [Robert Reich](#) no longer sit in the pews of the same church. Reich has been [vocal about inequality](#) and probably has some qualms about the [\\$225,000 speaking fees](#) that Hillary Clinton regularly collected from big banks like Goldman Sachs where Rubin was once big boss.

Both Republicans and Democrats are uneasy about George W. Bush's Iraq War. They remember that both the Bushes and the Clintons were gung-ho about going into Iraq, a misadventure that has turned out to be [spectacularly expensive](#). Both families also supported taxpayer-funded bank bailouts that allowed [bankers to claim bonuses](#) while [people were losing their homes](#). Neither the rather shrill [Tea Party](#) nor the deeply outraged [Occupy Wall Street](#) was too pleased. Most Americans did not join either movement but were disgusted by this spectacle of capitalism on the upside and socialism on the downside, which both parties colluded to create.

Understandably, not many trust either Republicans or Democrats anymore. Consequently, party membership is plummeting.

Finally, personality cults are on the rise. In the UK, this is less of a factor given deep parliamentary traditions. Even so, [Boris Johnson proved to be the deciding factor in the vote on Brexit](#). In the US, politicians are the *faux* royalty of a television and social media obsessed land. This has been a long-term phenomenon. John F. Kennedy became a patron saint of the Democrats despite few substantive achievements in his short-lived presidency. Ronald Reagan is a great Republican god despite [egregiously lying about his pathetic military record](#) in World War II. A republic that got rid of George III now genuflects to celebrities and treats them like royalty. Unsurprisingly, myths trump truths in this culture of make-believe.

In the current presidential campaign, truth has been the biggest casualty. As our [Englishman in motley brilliantly explained in February](#), Donald Trump has been lying incessantly through his teeth. Yet this self-proclaimed billionaire, real estate

tycoon and reality television star is incongruously drawing support from an angry [white working class](#), which is strangely forgiving of all his transgressions.

It is true that globalization, low-wage immigrant labor and free trade espoused by both the Clintons and the Bushes have hurt American workers. They have seen Silicon Valley and Wall Street reap rich harvests over the last three decades even as the [Rust Belt has experienced catastrophic decline](#). Yet instead of organizing together and throwing up homegrown leaders, the white working class is turning to a bullying braggart for salvation. Alarming, the Republican Party has turned into his family fiefdom.

It is transparent that the two-party system is facing a profound crisis.

In the UK, parties are experiencing strife and new outfits are on the rise. Conservatives have much too recently [experienced bitter civil war over Brexit](#). The party of Blair and Brown is rudderless as its [hapless leader squabbles with feckless rebels](#). With the rise of the Scottish National Party (SNP), [Labour has lost Scotland](#). As unions continue to decline, the party is [losing out to the United Kingdom Independence Party \(UKIP\)](#). The SNP and UKIP have hit Labour with a double whammy from which is unlikely to recover. Even the Conservatives are what they were in the halcyon days of Margaret Thatcher. Till 2015, they ruled in a coalition with the Liberal Democrats. A diverse and divided UK seems to be heading toward [a more multi-party system](#) with the Conservatives as *primus inter pares*.

In the US, parties themselves are becoming irrelevant. Elections are exponentially expensive popularity contests in which candidates are stars and campaigns are Hollywoodesque productions. In this land of "[the cult of success](#)" where you are constantly tutored on "[how to "sell yourself](#)", it is fitting that the top job will soon belong to the salesman-in-chief who is unencumbered by fusty notions of party, probity or principle.

\*Available online at [Fair Observer](#)



# Refugees Saving Grace of Rotten Rio Olympics

August 7, 2016

*The Olympics are now an exorbitant extravaganza for gladiatorial performances that are paid for by people who cannot afford them.*

This week, the Olympics began in Rio de Janeiro with a spectacular ceremony as usual. This being Brazil, the games promise to be one hell of a party. The International Olympic Committee (IOC) has prepared well. Apparently, the IOC has [distributed 450,000 condoms](#), thrice the amount it handed out in London. Some 3,000 ladies working in 70 bars are offering a "[sex sale](#)" to Olympic athletes to apparently ensure that the condoms will be used.

Apart from condoms, money has flowed into stadiums, security and spectacles. Invariably, much of it has ended up in the hands of corrupt politicians and crooked contractors. *Mother Jones* estimates that [Brazil has spent \\$20 billion on the Olympics in contrast with a measly \\$780 million to fight the Zika epidemic](#). This spending on the Olympics is all the more outrageous given the fact that Brazil is going through a political, economic and social crisis that is tearing the country apart.

In an earlier edition of [The World This Week](#), this author agonized over the bleak future bedeviling Brazil. Already, 19 of the 50 most violent cities in the world are in Brazil. Things promise to get uglier as the [economy spirals deeper into recession](#). In the first quarter, Brazil's gross domestic product (GDP) shrunk by 5.4%. Unemployment is rising, wages are falling and prices are soaring.

To fund the Olympics, [Rio de Janeiro's governor declared a state of financial emergency](#). His state relies on oil revenue, which has slumped as prices have collapsed over the last two years. Its deficits are high and its debt ratings low. The political crisis that this author analyzed in May continues like an unending soap opera, exponentially exacerbating Brazil's economic crisis. The social contract itself is stretched to breaking point with poverty, inequality and crime skyrocketing in 2016.

So grim is the situation that some like José Ricardo Nogueira of *Universidade Federal de Pernambuco* have argued that Brazil's social contract itself is an illusion. In [an insightful paper](#), Nogueira examined how the Brazilian state manages to tax heavily without redistributing generously so “that even the poorest 20% of the households are, on average, net contributors to the fiscal system.” Brazil is blessed by the bounties of nature but is blighted by the avarice of its elites who have driven this land of samba into debt, destitution and desperation.

Given the circumstances, most people with a semblance of a conscience and a modicum of consciousness are understandably uneasy about the Rio Olympics. Spending so much money on a sporting spectacle simply does not seem right. In any case, it turns out that Rio brings into focus a rather unsavory long-term trend. Bent Flyvbjerg, Allison Stewart and Alexander Budzier of the Said Business School at the University of Oxford have found that the Olympics over the past decade have cost \$8.9 billion on average. Their [report on the cost and cost overrun at the Olympics](#) makes chilling reading. At 156% in real terms, “the Olympics have the highest average cost overrun of any type of megaproject.”

The authors point out that the “cost overrun and associated debt from the Athens 2004 Games weakened the Greek economy and contributed to the country's deep financial and economic crises.” Both the Beijing and London Olympics cost an arm and a leg. However, China and the United Kingdom are rich countries that can afford rousing carousels.

In 2008, the Middle Kingdom was hell bent to prove that it had arrived as a great modern power. In 2012, the UK peddled both [James Bond and Queen Elizabeth II](#) for a purpose. Both are symbols of this rainy island's cultural hegemony that [enables British lads to seduce lissome lovelies](#) from Shanghai to San Francisco and allows the queen to love the Commonwealth that, in the memorable words of its current foreign secretary, “[supplies her with regular cheering crowds of flag-waving piccaninnies](#).”

Needless to say, Greece and Brazil cannot quite afford to act like China and the UK. Poor peasants are generally ill advised to ape the lavish manners of lords who live in castles. Besides, neither Greece nor Brazil has achieved anything by hosting the Olympics except spending money they did not have and bringing ruin upon themselves.

This brings us to a difficult issue. In modern times, what is the role of sports in general and of the Olympics in particular?

To answer that question, we have to acknowledge that humanity is hardwired to play and watch sport. Witnessing Usain Bolt run, Michael Phelps swim or Lionel Messi kick a ball can be sublime. Besides, as the ancient Greeks discovered early on, sports build character, forge teams and give valuable life lessons.

Yet sports have an ugly underbelly too. If winning is everything, defeat is disgrace. None other than Pindar, [the legendary Greek author of haunting odes](#), spoke about the defeated slinking away even from their mothers “sorely wounded by their mischance.” This fixation with victory makes athletes, coaches and staff start believing that the ends justify the means. For prospects of glory and money, many make the Faustian pact with Mephistopheles. Some turn into [lying psychopaths like Lance Armstrong](#). Others [lose their way like Ben Johnson](#).

It is not just athletes who cheat. Many [coaches turn rogue](#). Countries that equate national sporting success with an international projection of power institutionalize cheating. According to the World Anti-Doping Agency, Russia has operated a [state-sponsored doping program](#) for four years across the “vast majority” of summer and winter Olympic sports.

Even when countries do not cheat, they end up spending insane amounts on sports. A 2008 paper estimated the [size of the American sports industry to be from \\$44 to \\$73 billion in 2005](#). For the last 11 years, this size has kept growing. Many argue that this money is well spent. It creates a healthier society. But that might not be entirely true. Only a few people end up becoming sports professionals and the [United States continues to be one of the fattest countries in the world](#).

Sporting spectacles have warts much uglier than cheating. As pointed out earlier, the Olympics cost a ridiculous sum. Besides, they marginalize the marginalized further. Beijing is still haunted by the ghosts of the *hutongs* that were bulldozed to make way for a spectacular 2008 Olympics. The flipside of the Beijing extravaganza was best captured in what an old Chinese man said to Annette Langer of *Der Spiegel*: [“The Olympics have dealt a blow to common citizens; they have destroyed our lives.”](#)

Brazil has emulated China dutifully. Jules Boykoff estimates that [more than 77,000 people have been forcibly removed from their communities](#) to make way for the Olympics. [In a riveting article](#), Sally Jenkins of *The Washington Post* points out the irony of IOC members enjoying prime seating and dining on \$450 a day while those just 50 yards away live off \$228 a month and cannot dream of a ticket to any Olympic event.

Jenkins goes on to write: “The extent to which the Olympic ‘movement’ has become a destructive force, driven by an officialdom whose signature is indifference, can be seen just outside the Olympic Park fences, and I mean just outside.” In the article, she poignantly captures how a multi-generational *favela* was converted into an Olympic parking lot. Only 20 tiny utilitarian cottages remain for the stubborn families that refused to leave even when their homes were demolished. Delmo de Oliveira lost his home and hauntingly remarks, “The Olympics has nothing to do with our story.”

[Amnesty International records how the Olympics have become deadly](#) for people like de Oliveira. Police has been gunning down suspects who tend to be young black men [just as in the US](#). For *favela* residents and protesters, police violence is a feature of daily life that has got worse in the run up to the Olympics. The police have sprayed them wantonly with pepper spray and rubber bullets. History is repeating itself. Two years ago, when Brazil hosted the 2014 FIFA World Cup, police killings in Rio de Janeiro state shot up by 40%.

In some ways, the Rio Olympics is a metaphor for [globalization](#). Television, YouTube, Facebook *et al*/now make videos of athletes available anywhere anytime on any device. Viewers from Shanghai to San Francisco can gasp at the superhuman performances of modern-day gladiators, products of miraculous sports science if not devious doping. The IOC officials, Brazil’s elites and corporate sponsors laugh all the way to the bank, while already suffering Brazilian taxpayers foot the bill for this modern-day, multibillion-dollar circus. Of course, some Brazilians end up losing their homes and getting shot on top so that the high and mighty can safely watch gladiatorial performances, sip fine Burgundies and savor caviar.

The Olympics and the IOC have always had a dark side. Pierre de Frédy, Baron de Coubertin’s focus on allowing only amateur athletes was upper class humbug. It discriminated against poor colored athletes like the legendary Jim Thorpe. To this day, the IOC has not modified its record and fully reinstated what the Smithsonian calls “[the](#)

[greatest American Olympian of all time](#)” because he played minor-league baseball in 1909-10.

Yet Coubertin was a romantic who idealized both British public schools and ancient Greece. He saw sports as a means to peace. As early as 1911, the fusty aristocrat was bemoaning “the often exaggerated expenses incurred for the most recent Olympiads.” Today, the Olympics have become a monstrosity. Without reform, they will lose their relevance.

Finally, even the sordid Rio Olympics have a silver lining. Refugees have their own time for the first time in Olympic history. The United Nations say that [refugee numbers have shot up to 65.3 million today](#). This figure is [greater than after World War II](#). Many have survived great danger to escape. Yusra Mardini was in a dinghy in the Aegean Sea when the motor failed. Along with her sister and two others, she towed the tiny boat in chilling waters of a dangerous sea where many drown on a regular basis. [Mardini has now become the first to represent refugees at the Olympics](#), an inspirational and heartwarming story.

Like Jesse Owens in 1936 or [Tommie Smith and John Carlos in 1968](#), refugees in Rio might leave an indelible mark on the sands of time. They may not mitigate the war, conflict, persecution and desperation that are driving millions away from their homes, but they have now placed the global refugee crisis firmly in the public eye.

\*Available online at [Fair Observer](#)



## Might Thailand Turn Into Paradise Lost?

August 14, 2016

*Thailand is deeply divided on class and regional lines, with the Bangkok monarchist elite engaged in a brutal battle with the Shinawatra clan as a Malay-Muslim insurgency rages furiously.*

This week, [bombs went off in Thailand's tourist towns](#). This came as a rude shock to much of the world that has come to see Thailand as an idyllic paradise with magical food, sublime natural beauty and sensuous sex. This paradise-like reputation is a godsend for tourism, [making it roughly 9% of the \\$395 billion Thai economy](#). It also helped Thailand [bounce back rapidly after the 2004 tsunami](#). These bombings threaten to tarnish Thailand's reputation profoundly.

*Prima facie*, the attacks were minor. Eleven small bombings across multiple cities barely killed four people. By contrast, there was much more violence elsewhere in the world. A [suicide bombing in the Pakistani city of Quetta killed 70 people](#). In Brazil, a [vicious drug war rages in Rio](#) despite the fortune authorities are spending on security for the Olympics. In Syria, [fighting intensified in Aleppo](#) with rebel groups and regime forces going hammer and tongs at each other.

So, why are bombings in Thailand more significant?

Thailand is going through a [protracted political crisis](#). Yet this crisis has not led to mass violence or civil war. Even terror attacks have been few and far between. In particular, the idyllic tourist destinations in the southern part of Thailand have been untouched by violence. With these bombings, to quote William Butler Yeats, “all changed, changed utterly” and a terrifying monster has been born.

[As Al Jazeera observes](#), the bombings occurred on “the eve of Queen Sirikit's 84<sup>th</sup> birthday and just before the first anniversary of a Bangkok shrine bombing that killed 20.” Germans, Italians, Dutch and Austrians were among the injured. Significantly, the bombs exploded a few days after [Thai voters supported a draft constitution backed by a military-appointed committee](#).

Needless to say, this constitution has many opponents. Since 2014, the military has ruled the roost after a rather messy coup. Barely 55% of the 50 million eligible voters turned up to cast their ballot. In the run-up to the referendum, campaigning was banned and dozens were detained. Thailand's biggest political parties have rejected the constitution.

Thai authorities are claiming “[domestic sabotage](#)” by the losers of the referendum. They rule out both international terrorism and separatist insurgents fighting Thai forces in the three southernmost Malay-Muslim provinces. Independent observers blame

these insurgents as the bombs bear their signature style. Furthermore, the bombings took place on the [anniversary of the disappearance of Haji Sulong Abdul Kadir al-Fatani](#). Haji Sulong is a hero for Malay-Muslims and is [widely presumed to have been killed by the Thai military in 1954](#). Over the last 12 years, a bloody Malay-Muslim insurgency has killed more than 6,000 people.

Despite such bloodshed, the Malay-Muslim insurgency is a sideshow in Thai politics. The country is currently cleft in twain in a bitter struggle for power. On one side is the Shinawatra clan, led by Thaksin Shinawatra who was a popular prime minister before [the military ousted him in a 2006 coup](#). On the other side is the Bangkok establishment led by the military junta, with General Prayuth Chan-ocha, the current prime minister, as their big boss. In 2014, [Prayuth ousted Yingluck Shinawatra](#), Thaksin's sister, after months of anti-government protests. It was Thailand's 12<sup>th</sup> coup since 1932.

At the heart of the polarization in Thailand is a class and regional divide. Prayuth is supported by urbanized, middle-class citizens and established elites in southern Thailand. Thaksin's power base lies in the rural northern and eastern parts of the country. Each time when one side has been in charge, the other side has protested raucously. Thailand is bitterly divided between "yellow-shirts" who support the military junta and "red-shirts" who are followers of Thaksin.

The roots of this division go back into the past. Thailand's ruling elite sided with the United States in the Cold War. [The US Army Center of Military History dutifully records](#) how their loyal ally actively participated in the American misadventure in Vietnam. In return, investment flowed into the country, turning Thailand into a manufacturing economy. Transportation, construction and urbanization boomed. The greatest beneficiary was Bangkok as it exploded in size, wealth and importance. Bangkok continues to be the beating heart of the Thai economy. A recent [2013 presentation by Pathitta Nivatvongs of the Industrial Estates Authority of Thailand](#) shows how Thailand's industries are largely centered in or near the national capital.

[Just as in trade](#), there are winners and losers in modernization. In Thailand, the winners have been the military, the judiciary, the middle classes of Bangkok, the beneficiaries of the tourist economy of the south and those with old money. The losers have been the toiling peasants in rural areas, the urban poor in sprawling

slums, [minorities like Malay-Muslims](#) and even refugees like [the Hmong](#). Put simply, the winners are those who created and profited from modern Thailand. The losers are the hewers of wood and drawers of water for the winners.

[As David Streckfuss brilliantly observes](#), Thailand draws its self-identity as the only country in Southeast Asia that was not formally colonized by a European power. [To paraphrase the words of Streckfuss](#), the implications of Thailand's historical narratives are two-fold: Thai history has been continuous and Thai culture has retained its pristine identity. These seemingly compelling national narratives are disingenuous. Thais managed to avoid formal annexation only by ceding territory, doffing their caps to Europeans and packing off their high-born sons to places like Eton. Siam or Thailand became a *de facto* colony, an informal part of first the British and then the American Empires.

Chulalongkorn, the venerated late 19<sup>th</sup> century modernizing monarch, learnt from the Europeans and tried to create a Thai nationalism in place of the [age-old decentralized mandala model that operated in Southeast Asia](#). In 1887, he established Thailand's Royal Military Academy to create an elite officer corps that would both put down the local nobility as well as deter foreign aggressors. Damrong, Chulalongkorn's intellectual half-brother and second-in-command, created the modern Thai administrative and education systems.

More importantly, through the key 1892 military and political reforms, Damrong set out to "dissolve all dependencies and half dependencies" and "to make all the people Thais, not Lao, not Malay at all." Vajiravudh, Chulalongkorn's Sandhurst-trained and Oxford-educated son, went further. He conjured up the myth of a distinct Thai race that had fought both the Chinese and the Europeans to retain its freedom. All subjects in his kingdom had to become Thai whether they liked it or not.

Forging disparate people into a unified nation state was bloody even in England and France. In Africa and Asia this was bloodier still. Thailand is no exception. The Cold War brought a new dimension to Thai nation-building. From the 1950s, Thai traditionalists with the support of their American godfathers sought to keep the communists at bay by restoring the prestige of the monarchy. They set out to create a society based on order, hierarchy and religion. Instead, they created what *The Economist* has rightly termed "[a right royal mess](#)."

Even as royal worship became the norm, oppression, corruption and poverty continued to be the fate of those at the bottom of social order and in the hinterlands. Unsurprisingly, peasant revolts broke out in the 1970s. Then, students and professional classes sympathized. As [Hans U. Luther chronicles in fine detail](#), the revolts were crushed ruthlessly. The military and its right-wing vigilante groups murdered both student and peasant leaders. A frightening number of killings took place in the Chiang Mai region, Thaksin's home and core support base, even as Thai nationalism reached its apogee.

Thaksin represents the biggest challenge to the Bangkok political elite. He shares the same name as Taksin the Great, another Thai Chinese leader with overweening ambition. Taksin was a general who snatched victory from the jaws of defeat after the Burmese sacked Ayutthaya in 1767 to become king. He made Bangkok the new capital of a renewed Thai kingdom but did not last long. Taksin was deposed by General Chao Phraya Chakri whose dynasty continues to sit on the throne and commands veneration in much of the land.

In fact, such is the veneration that King Bhumibol Adulyadej is a virtual god in Thailand. The king also conveniently owns a colossal amount of wealth. Unlike Queen Elizabeth II or Emperor Akihito, Bhumibol wields real power behind the scenes and is above any scrutiny.

This opacity about the role of the king is maintained through [lèse-majesté laws that can only be termed draconian](#). They command: "The King shall be enthroned in a position of revered worship and shall not be violated." Infuriatingly, there is no definition of what constitutes violation. Besides, *lèse-majesté* charges are rarely made public and their hearings take place behind closed doors. This gives too much power to Thailand's infamously [conservative judiciary](#). With such ample room for interpretation, judges delight in inflicting severe penalties such as sentencing a 61-year-old grandfather to 20 years in prison.

Thailand is facing great strain because the cult of the king is under threat. This is not because Thais are turning irreverent, but because the 88-year-old king is proving to be palpably human. Bhumibol is [spending increasing amounts of time in the hospital](#). This puts the spotlight on the crown prince whom Jonathan Manthorpe has described as "a wastrel and a vindictive womanizer." Even the crown prince's mother has conceded that he is "[a bit of a Don Juan](#)." This prince is also aloof, arrogant and awkward,

making him uncomfortably unpopular. Unsurprisingly, Manthorpe is one of many who believe that [the crown crisis could tear Thailand apart](#).

Even as one dynasty declines, Thaksin is creating another one. He comes from one of the richest and most influential families in Chiang Mai. He was an officer in Thailand's famously repressive and incorrigibly corrupt police force where he rose to be a lieutenant colonel. Thaksin's contacts in the police and the military helped his early business ventures. He made his fortune as a telecommunications billionaire thanks to a monopoly contract by his friends in government.

Like Italy's Silvio Berlusconi, Thaksin rose to power through unbridled populism. The plutocrat-politician incongruously harnessed anti-elite resentment and became prime minister by promising wealth for the farming heartlands. In power, he fulfilled his end of the bargain by providing microcredit and dollar-a-treatment health care. Unsurprisingly, he continues to be wildly popular among his supporters.

Yet Thaksin's legacy has a dark side. In 2003, he launched "a war on drugs" that has proved to be every bit as disastrous as the one waged by Americans. Thousands died or disappeared, but the drug trade continued to flourish. Thaksin's strong-arm methods also poured fire on the flames [of the Muslim insurgency in southern Thailand](#). He abolished key conflict-management structures and ignored military advice to negotiate with the insurgents. Extrajudicial killings became the norm and so did attacks by Islamic rebels.

Thaksin's conflict of interests as prime minister and business tycoon made many of his supporters uneasy. In a [March lunch with the \*Financial Times\*](#), Thaksin worryingly compared himself to Donald Trump and painted an unflattering self-portrait. This *arriviste* uses facial serum to polish his skin, flaunts a top-of-the-range Patek Philippe and brags about spending 2 million baht (approximately \$60,000) on the most expensive wine in the world. In exile, he has spent his time investing in the likes of "biogenic biomedicine" and [Manchester City](#).

Worryingly, Thaksin treats his political movement like a family fiefdom. Yingluck, [his sister whom he once famously described as his clone](#), is now the big boss of his supporters. The Shinawatra clan certainly wins elections and has many supporters, but it has shadily corralled far too much wealth and is another royal dynasty in the making.

Currently, Thaksin is on a charm offensive with Americans, Europeans and even [Australians](#), singing paeans to democracy. At the same time, Prayuth is determined to persist with the status quo even as the king's health wanes. As the red-shirts battle yellow-shirts, "[the Salafization of Islam in Southeast Asia](#)" in general and Malaysia in particular is radicalizing marginalized Malay-Muslims in Thailand's southernmost provinces.

The bombs that went off this week demonstrate that Thailand is reaching a tipping point. Unless Thailand's *nouveau riche* elites and entrenched establishment can act wisely, paradise might well be lost.

\*Available online at [Fair Observer](#)



## Bikinis or Burkinis?

August 21, 2016

*France must recognize that bikinis might be better than burkinis, but banning the latter will neither improve security nor liberate women.*

Many in France are jumping like cats on a hot tin roof and making much ado about burkinis. This week, the dapper James Creedon from Ireland and his thoughtful English colleague reported on [France 24](#) that Cannes and two other towns banned burkinis on the beach. A fourth town is planning to do the same and the [French government has defended these bans](#).

Before we carry on, what may you ask is a burkini? Simply put, it is a swimming garment for women that covers the whole body. Some call it a swimsuit version of the burqa. It is a bit like a wetsuit except that you wear it not to save yourself from icy waters, but the prying eyes of lustful men.

The burkini is a dress designed for modesty. Conservative and religious individuals and societies have long prized modesty. Not for them the Dionysian revels of unabashed indulgence, these fine souls prefer curbing their desires, ordering their lives

and creating a society of restraints. In the villages of northern India, Hindu women cover their heads. In much of the Middle East, the sight of women in a hijab is commonplace. Even in Europe, Catholic nuns can still be seen in coifs from time to time.

Until very recently, even men had to cover their torsos when they went to the beach or swam in pools. The legendary Johnny Weissmuller, whom the [Olympic Games website](#) calls “swimming’s first superstar,” won five gold medals in the 1920s in suitably modest attire. It goes without saying that society expected women to dress more modestly than men.

Articles in the nostalgic [Victoriana Magazine](#), the trendy [Bustle](#) and the respectable [Smithsonian Magazine](#) chronicle the evolution of bathing suits over time. Suffice to say, Europe and the United States have come a long way from bathing machines and bathing gowns. It was none other than France, the land of revolutions, which launched the itsy bitsy bikini revolution. Louis Réard invented this risqué apparel and named it after Bikini Atoll in the Pacific Ocean. Then, this was where the US was conducting atomic tests. In the words of Emily Spivack, Réard thought “this new suit would have the same explosive effect as splitting the atom did on its island namesake.” Réard turned out to be right. The bikini was scandalous. It was banned in a number of places on the planet. In places like Saudi Arabia and Pakistan, that ban continues. Clearly, the way women dress is a big deal in most societies. Why?

The answer to this question is entangled with people’s deepest values. If they believe life is about modesty, chastity, restraint, obedience and service, then the bikini is indubitably provocative. This author is certainly not alone in almost involuntarily gazing at girls in bikinis. In contrast, women in burqas barely garner a glance. If sex is sin or tinged with sin and Eve’s proverbial desire for an apple led to the fall of man, then bikinis are satanic temptations to lead us astray.

On the other hand, if people believe in [joie de vivre](#) or [la dolce vita](#), they might find [Catholic injunctions against sex](#) oppressive and ridiculous. The same holds true for [Islamic rules of dressing](#) that prescribe modesty for both men and women. Spivack tellingly points out that the modern bikini was present in ancient Rome before the Judeo-Christian faith conquered the city. Other parts of the world have traditions far more scandalous than the humble bikini. This author’s grandmother comes from a clan that built the [Khajuraho Temples](#). These magnificent architectural masterpieces are

famous for their erotic sculptures, which have long scandalized conservative Muslims, Christians, Hindus, puritanical atheists and even doctrinaire feminists.

While this author does not agree with Samuel Huntington's thesis of a clash of civilizations, much of the world is certainly experiencing a clash of values. In France, hedonistic values that celebrate the senses are clashing with traditional norms that prize piety. Burkinis are a classic case in point.

The burkini brouhaha began when a group announced a seemingly innocuous event at a [waterpark near Marseille](#). This private event was scheduled for September 10. It was meant for women wearing a swimsuit that covered their bodies from their chests to their knees. Two-piece swimsuits were prohibited. In other words, burkinis were in, bikinis out. This caused outrage. Politicians from both the left and the right declared this event a threat to France's haloed secular values.

The event was perfectly legal because a private group can decree dress codes for its members. The Cosmos Club in Washington, DC, the Gymkhana Club in New Delhi and countless other institutions constantly do so. Even licentious night clubs in Las Vegas often ask men to wear leather shoes and bar entry to those in sneakers or flip flops. The issue here was not legality but symbolism. For many in France, the innocuous burkini was a sinister challenge to their way of life. Emotions ran high and the organizers had to cancel their burkini party when they received bullets in the mail.

Like most controversies, this episode has a backstory. In 2009, a French convert to Islam was [banned from swimming](#) in a public pool because she was wearing a burkini. Officials cited hygiene concerns as reason for the ban. France followed banning the burkini with a [ban on the burqa](#). In 2011, *la grande nation* became the first European country to adopt a law prohibiting the complete covering of one's face in public. With 5 million Muslims, France has the largest Islamic population in Western Europe. Yet most experts estimated that barely 2,000 women wore the now [banned burqas or niqabs](#).

In keeping with this gallant Gallic tradition, the mayor of Cannes, a ritzy town famous for its film festival, frolicking on the beach and a rollicking nightlife, [banned burkinis](#) for August. While the veil and the kippah were fine, he argued the burkini was a symbol of Islamic fundamentalism and a threat to the security of his town.

In Napoleon's Corsica, the mayor of Sisco banned burkinis after a [riot broke out](#) between locals and North African immigrants, after the latter reportedly objected to tourists photographing their burkini-clad women. Different versions of the story reveal the same fear of the other that pervades this island. The ban in Sisco aims to prevent the rising tension between locals and immigrants breaking out into another riot.

Laurence Rossignol, France's minister for women's rights, has jumped into the fray and supported the bans. She does not see the link between burkinis and terrorism or see burkinis as leading to riots. The feminist minister finds the burkini "profoundly archaic" and the struggle against it a "battle for the emancipation of women." Rossignol is [fighting for the "soul of France"](#) and believes that burkinis "hide women's bodies in order better to control them." She has strong views on the subject and, earlier in the year, Rossignol inadvertently kicked off a ferocious row by comparing women who wear headscarves to "[negroes who accepted slavery](#)."

It is obvious that the French ban on burkinis is based on a range of reasons and excites deep passions. More importantly, the ban raises a number of infernally tricky questions.

First, can the state tell people what to wear and what not to? Many argue the state has no right to do so. Yet the state has long done so. Most states in the world do not give people the freedom to walk around naked. There are laws against outraging public decency not only in conservative Malaysia, but also in supposedly devil may care California. What constitutes public decency is notoriously hard to define and changes with time. Besides, when the state bans nudity or women going topless, then the reaction is not quite the same as the ban on headscarves or burkinis.

Is this because by banning burkinis the French state is intruding upon religious freedoms?

Catholic nuns and Muslim women often cover their heads because of religious conviction. Some women may not be terribly religious, but still cover their heads for cultural reasons. For them, the headscarf or even the burkini is a part of their identity. In the liberal and multicultural UK, headscarves, burqas or burkinis do not cause much of a fuss. This is a land where the queen still heads the Church of England but everyone knows she is just a ceremonial figure. This pragmatic land with an unwritten constitution and a long nonconformist tradition has gradually become comfortable with different religions despite no *de jure* declaration of secularism.

On the other hand, France has been deeply Catholic for most of its history. *Huguenots* paid with their lives in the [St. Bartholomew's Day Massacre](#). Reformers had to fight long and hard to separate church and state. The French want to keep it that way. That is why the very first article of their constitution declares that "France shall be an indivisible, secular, democratic and social Republic." This means that [laïcité](#), the French version of secularism, is fundamental to the state.

*Laïcité* makes the state neutral toward all religious beliefs. Its operative assumption is that the complete isolation between religious and public spheres is a worthy and desirable ideal. Many argue that this separation of religious and public spheres is a touch too rigid. As the BBC pointed out in 2005, [Islam tests French secularism](#). For many Muslims, their faith permeates all aspects of their lives, and French restrictions on religious expression in public spheres are profoundly antithetical to Islam. The ban on burkinis is one such example and is wrong. Some in France argue that, if devout Muslims have a problem, they can move to the UK or another country where the law is more to their liking.

Second, does banning the burkini enhance security? Sisco's mayor might argue that the ban on burkinis keeps conservative Muslim women away from the beaches at a charged time. It avoids unnecessary riots that can lead to loss of life and limb. Furthermore, it saves both public spaces and costs to the public purse. Others argue that the ban enrages an already alienated minority living in [grim banlieues](#) where riots erupted in 2005.

In any case, France is experiencing new threats to its security. In November 2015, along with Beirut and Baghdad, Paris suffered [terrible terror attacks](#). On July 14, 2016, the day when France celebrates the fall of Bastille and the start of its bloody 1789 revolution, a Tunisian deliberately drove a truck into crowds in Nice killing 85 people. Thereafter, two French Muslims slit the throat of a Roman Catholic priest. Banning the burkini might add fuel to the fire by giving reactionary clerics a new injustice to rail against and boost their recruits. Furthermore, it is generally radicalized young men who launch terror attacks, not women on the beach in burkinis.

France is a deeply divided country. When Manuel Valls, whose parents were Spanish and Swiss, was prime minister, he declared that "tensions that have been brewing for too long and that we hardly mention ... [territorial, social, ethnic apartheid](#) in our

country.” Valls went on to say that people face “social misery and discrimination on a daily basis due to having the wrong name, the wrong skin color, or even simply for being a woman.” The “reality of France,” in his words, includes “mass unemployment, long-term unemployment, youth unemployment, and parents’ anxiety for the future of their children.”

Banning burkinis might make that reality of France uglier for Muslim women from traditional families and conservative communities. They might find this ban a great intrusion into their liberty of belief, faith and worship. It puts them between a rock and a hard place. If they venture to the beach in the burkini, the state might impose penalties on them. If they do not wear a burkini at the beach, they might face friction within their families or ostracism in their communities. They might end up abandoning public spaces altogether to the safety and security of their miserable ghettos.

This raises a third question. Does the burkini ban help women in any way? Rossignol would emphatically say yes. This author has just pointed out how it may force many Muslim women into the confines of their ghettos. Is the suffering of such women by banning burkinis a worthy price to pay to achieve Rossignol’s cherished ideals of women’s emancipation?

To answer this question, we have to examine what Rossignol means by emancipation. Is it women enjoying equal rights and opportunities as men in society? Is it improved career choices and professional advancement? Or is it merely the freedom to dress sexily? France may have been at the forefront of the bikini revolution, but it [granted votes to women only in 1944](#), more than two decades after its [inconvenient island neighbor](#). France is no Scandinavia and has a rich history of [everyday sexism](#). Banning the burkini is not going to improve the chances of the likes of Rossignol to be *Madame Presidente*.

Bikinis can often be as problematic as burkinis for women. Marcie Bianco argued earlier this year that [“feminism’s greatest obstacle in the digital age is the commodification of women’s bodies.”](#) The fashion industry, advertising and Hollywood have defined female beauty in utterly unrealistic and unattainable terms. Even in southern Christian states that oppose abortion, American football games begin with cheerleaders jumping up and down in skimpy clothes. France may have invented the bikini [but Brazil has perfected it](#), enabling [plastic surgeons to mint money](#).

Finally, modesty, chastity and piety provide meaning to many women's lives. Creedon has produced a [lovely documentary](#) on his cousin who left Ireland for Japan in 1935 to become a missionary nun. It serves to remind secularists like Rossignol and this author that women must retain the right to pray to gods we may find ridiculous, keep their heads covered and even wear burkinis on the beach.

\*Available online at [Fair Observer](#)



# Army, America and Akhtar Confront Pakistan

August 28, 2016

*A country created by a Shia Muhajir is being torn apart by ethnic, sectarian and class divides as poverty, inequality, injustice, corruption and repression enrage an increasingly urbanizing population.*

This week, Turkey finally sent its troops across the Syrian border to take on the Islamic State, a massive earthquake struck Italy killing thousands and the circus of the [rotten Rio Olympics](#) came to an end. Yet the focus this week is Pakistan where [Waseem Akhtar was elected as the mayor of Karachi](#), a sprawling megacity with 20 million people. Why might you ask is Akhtar's election such a big deal?

For a start, Akhtar is in prison and is unlikely to be released anytime soon. The poor chap has been [jailed and tortured in the past](#). Incongruously, he can still run for office in the topsy-turvy world of Pakistani politics where even prime ministers are not safe from jail. In more ways than one, Akhtar's story captures all that is ailing Pakistan.

Akhtar is a member of Muttahida Qaumi Movement (MQM), a party largely of *Muhajirs* who immigrated to Pakistan after British India was partitioned in 1947 into India and Pakistan. *Muhajirs* speak Urdu, the language that arose amidst the embers of the dying Mughal Empire. They were the driving force in the creation of Pakistan,

and Akhtar, a proud *Muhajir*, rightly declared in his victory speech: “We are the children of those who created the country.”

Most Pakistanis forget that their founder was a *Muhajir* of Shia descent. Muhammad Ali Jinnah was a pork eating, chain smoking and scotch drinking Gujarati barrister who loved fine suits, silk ties and good old William Shakespeare. This complex and charismatic man married a [glamorous Parsee of legendary beauty](#) less than half his age, defying social convention and causing much scandal.

Jinnah was ecumenical not only in his personal life, but also in his political inclinations. He began as a secular nationalist who worked for Hindu-Muslim unity. He played a key role in the freedom struggle and [defended none other than Bal Gangadhar Tilak](#) against the charge of sedition labeled by the British. For those who do not know the history of India’s independence movement, Tilak was the most popular Indian leader before Mahatma Gandhi. Anyway, this is not the time and place to dissect Jinnah’s fascinating personality, but readers must remember that the founder of Pakistan sought to create a secular state for all Muslims of the Indian subcontinent.

Instead, what exists today is much worse than the [“truncated and mutilated moth-eaten Pakistan”](#) that Jinnah railed against. East Pakistan has long been Bangladesh after winning its independence from its western cousins in 1971. During the brief 24-year period from 1947 to 1971, the residents of West Pakistan failed to treat their dark-skinned countrymen with decency. In Punjabi-dominated Pakistan, Bangladeshis were second-class citizens [subjected to oppression, arbitrary imprisonment, torture, murder, rape and genocide](#). Naturally, they created their own country [with Bengali instead of Urdu as their national language](#).

Jinnah might have dreamt of uniting all Muslims of the subcontinent as one Pakistan, but ethnicity, sect and class triumphed soon after his death. Punjabi and Sindhi elites have dominated the country since 1947. Even *Muhajirs*, members of Jinnah’s own community, have struggled to find their voice in Pakistan even though they form the most educated community of the country. Many *Muhajirs* are middle-class, with large numbers of doctors, engineers, professors, scientists and lawyers, much like Jinnah himself. The main power base of this community is Karachi, Pakistan’s port city and its commercial capital. Hence, MQM’s Akhtar has won despite being locked up in jail. This raises a key question: Why is Akhtar in jail?

Akhtar has been [charged in 10 cases](#) for “abetting the treatment of alleged terrorists and gangsters,” and the anti-terrorism court has refused him bail. MQM has long had a troubled relationship with the Pakistani state. Altaf Hussain, its founder, lives in exile in London because he is wanted by authorities in Pakistan. In 1992, the authorities launched “Operation Clean-up” which, in the words of [Vazira Fazila-Yacoobali](#), was “ostensibly aimed at cracking down on all ‘terrorist’ and ‘criminal’ elements in Sind, but which effectively became a witch hunt against the MQM.” MQM responded by waging war against the police and paramilitary. Ethnic and sectarian violence has been permanent feature of the Karachi landscape since.

In fact, the politics of ethnicity is deepening and widening existing chasms in Pakistani society. Once, [Sindhis and Muhajirs battled each other](#) in Karachi. Now, Pashtuns fleeing from their war-torn homeland are fighting *Muhajirs* in a [brutal battle for the control of the city](#). Thousands have died in the city over the years as bomb blasts, drive by shootings and gang wars have become par for the course.

Trouble is not only brewing in Karachi, but also in Balochistan, a state bordering Afghanistan and Iran, where many [celebrated Independence Day on August 11 despite a bomb blast](#) in a hospital. The [Federally Administered Tribal Areas \(FATA\)](#) are infamous for providing refuge to the likes of the Taliban, and Pashtuns in FATA have often fought Pakistani troops with the same fervor with which they once battled the British. It almost seems that things are falling apart and Islamabad can no longer hold on.

As if ethnicity was not enough, sectarian strife is eating up the innards of Pakistani society. When General Muhammad Zia-ul-Haq ruled in the 1980s, he began the infamous Islamization of Pakistan. Saudi money flowed into the country like water. Pakistan’s famously relaxed form of Islam suffered a virulent Wahhabi infection. So much so that, in 2012, Deutsche Welle called Pakistan the “[Wahhabi Republic](#).”

Zia was a great beneficiary of the Cold War. The democratic US fell in love with this intolerant military dictator like a teenager without judgment. Consequently, Saudi petrodollars and American expertise flowed through Pakistan to the *mujahedeen* fighting Soviet troops in Afghanistan. Some of these resources were diverted to fight [Operation Tupac](#), a part of Zia’s master plan to promote insurgencies in India and bleed his bigger neighbor with a thousand cuts.

To find fighters for the insurgencies, Pakistan's legendary Inter-Services Intelligence (ISI) came up with a cunning plan. *Madrasahs* were the answer. These Saudi-financed religious schools were not about creating urbane Islamic scholars à la Baghdad's [fabled House of Wisdom](#). Instead, they focused on [creating jihadists who would fight the kuffar](#) (non-believers) whether in Afghanistan, Kashmir or even the US. It is little surprise that [many blame the ISI for supporting "terrorism and extremism."](#) Till the spectacular attacks of September 11, 2001, Pakistan along with Saudi Arabia and United Arab Emirates was one of the three countries that recognized the Taliban regime in Afghanistan. In fact, it is an open secret that the ISI [helped to create](#) and then [assiduously cultivated](#) the Taliban.

Pakistan has since discovered that it has been playing with fire. The Frankenstein of radical Sunni Islam that Zia once created is now devouring the country itself. As Anwar Akhtar wrote at *Fair Observer* in 2013, [Pakistan is a tough country for minorities](#) because of widespread discrimination and persistent persecution. Violence against Shia Muslims is now endemic. In fact, all minorities, including Ahmadis, Hazaras, Christians, Hindus and Sikhs live in fear. Ironically, the dandy Shia father of the nation would not survive too long in modern-day Pakistan.

Even as ethnic and sectarian strife plague Pakistan, [inequality is rising](#). In FATA, 73.7% of the population is poor, and the figure for rural areas for the entire country stands at 54.6%. Women own a mere 3% of the land and their labor participation rate is a lowly 25%. By contrast, the [female participation rate](#) for Sweden, Kenya and Thailand is 60%, 62% and 64% respectively. *Dawn*, Pakistan's leading newspaper, once aptly described the "[50 shades of inequality in Pakistan](#)," pointing out that the country's tax to gross domestic product (GDP) ratio of 9% was the lowest in the world. The extreme inequality in Pakistan has resulted in a [feudal democracy](#) in a country where "large land holders occupy national and provincial assemblies controlling both property and people." The best example of this is the Bhutto family. Like the Thai royal family, they are big landowners with little in common with their toiling peasants. The politics of patronage dominates Pakistan, and corruption runs deep not just into the bone but the bone marrow itself.

Bilawal Bhutto Zardari, the callow leader of Pakistan People's Party (PPP), is yet another member of South Asia's lucky sperm club that comprises other luminaries such as Rahul Gandhi, Jawaharlal Nehru's feckless great grandson, and Maryam

Nawaz Sharif, the current Pakistani prime minister's daughter. As an undergraduate at Oxford, Bhutto Zardari spent most of his time [carousing merrily](#).

The 28-year-old scion of the rich and powerful Bhutto clan has not lost a taste for "[jolly entertainments](#)" where "models in skimpy outfits" dance around a fiery cauldron. This dissolute modern-day wannabe Roman emperor [speaks Urdu in a horrendous English accent](#), giving credence to the accusation that he is a "[coconut](#)." Furthermore, he often shrieks at the top of his voice at public rallies, coming across as a "rich spoilt pansy." At Oxford, Bhutto displayed no interest in political issues or intellectual discussion and was [conspicuous by his absence in any discussions on Pakistan](#).

Yet Bhutto Zardari has parachuted into the leadership of a major political party without even having grown up in the country. Although his stock has fallen, he is still revered by a large section of society that blindly votes for him. As one of his fellow students at Oxford pointed out, this is precisely the problem with Pakistan. Scions of families who have looted the exchequer still command deference and even reverence. Bhutto Zardari's father was infamously known as "[Mr. 10 Per Cent](#)" for purportedly taking a 10% cut for awarding every government contract.

Even as Bhutto Zardari has been throwing a big party, his PPP government in Sindh has not exactly been doing its job. [Amir Hamza](#), a young medic in Karachi, [wrote a satirical letter to "Lord Bilawal"](#) that eviscerates this smug, sanctimonious and shady scumbag for his "plain disdain and utter disregard for the lives of ordinary men and women." Hamza damned this young dynast for hosting his revels even as people were literally starving in the Thar.

Some would argue that Bhutto Zardari's behavior is in keeping with [the tradition of the great Shah Jahan, who built the Taj Mahal even as his people were dying of a frightening famine](#), a key cause of which was the emperor's extortionate taxation. The idealistic Hamza does not buy into this logic and damns Bhutto Zardari for his incompetence. This young medic boldly writes that the PPP's "ranks are filled with the vilest of [feudals](#) that feed on the blood of their serfs. Its cabinet [of the Sindh province] is nothing but a conclave of dunderheads."

Hamza is bang on the money. Bit by bit, the Pakistani state is imploding. Most of the country's laws are still colonial. Pakistan's penal code is the same as India's and was drafted by none other than the splendid Lord Macaulay. The changes its

parliamentarians have made since independence have only made it worse. Pakistan's military has often conducted coups in the past and has a [reputation for corruption](#). Prime Minister Nawaz Sharif, who is still battling the military after being packed off to exile by General Pervez Musharraf, has found himself in hot water after his name cropped up among the [Panama Papers](#).

Meanwhile, Pakistani institutions are a complete mess. The army is exceedingly powerful and so are the paramilitary and police. The ISI still remains a shadowy force. The Pakistan Administrative Service, like its Indian counterpart, is full of *dilettantes* who base their claim to fame on an examination they write in their youth. These bureaucrats have neither the aptitude nor the attitude to do a half-decent job. One day, they sit in the Culture Department, another day they move to agriculture and a third day they run the country's finances. In this Kafkaesque country, the law is an ass and the courts are worse than bazaars with justice for sale.

Many have long quipped that Pakistan is land created for Allah, kept together by the army and propped up by America. Today, the army is not what it once was as elites pack off their children abroad and [a new breed of religious officers rises through the ranks](#). Allah might still be around but America is turning squeamish. It did not help that Osama bin Laden was hiding practically next doors to the country's prestigious military academy. Waseem Akhtar represents yet another challenge for Pakistan: An elected *Muhajir* mayor is in jail on trumped up charges of terrorism while the Bhutto and Sharif clans rule the roost.

Meanwhile, corruption, inequality and injustice keep driving a fast urbanizing population to desperation. Unsurprisingly, Islamic fundamentalism and Saudi-funded *madrassas* are on the rise. They provide identity, community and hope in a beleaguered society. Just think for a moment about Hamza. If this middle class medic is so enraged by injustice, then imagine the anger of a deeply exploited poor young man with little or no prospects who is aching for payback.

To add a sting to the tail, Pakistan is a country with nuclear weapons and decent missiles. It is little surprise that many consider it [the most dangerous country in the world](#).

\*Available online at [Fair Observer](#)



# Peace in Colombia After 52 Years of War

September 4, 2016

*A ceasefire between Colombian forces and FARC brings 52 years of civil war to a close thanks to a reformist president and assistance from Cuba and the US.*

Every week throws a cornucopia of events. This writer struggles with the abundance of choice. After all, Donald Trump went to Mexico, Dilma Rousseff was formally booted out of office, Gabon had a not so free election, and the European Commission (EC) [ordered Ireland to recover €13 billion](#) (\$14.5 billion) from Apple.

The EC's Apple decision is historic. It holds that Ireland broke rules on state aid by giving illegal tax benefits to selected companies. This decision raises questions about sovereignty, legality, fairness and more. In an earlier edition of [The World This Week](#), this author examined the taxes that Apple does or does not pay. Needless to say, taxation is a tricky and thorny issue in the modern global economy.

Ireland, a tiny country of about 4.6 million people, has attracted companies to its shores through a seductive mix of light regulations and low taxes. This decision threatens its economic model. Naturally, the country "[disagrees profoundly with](#)" the EC and is likely to take the matter to the European Courts.

Like EC's decision, Gabon's election is historic. The Bongo clan has ruled this oil-rich coastal state since 1968, when [protests erupted](#) all the way from Prague and Belgrade to Paris and [New York](#). Now, protests have broken out in Gabon after a rather fishy election. Yet the fact that people voted and are now protesting is historic. [Democracy is deepening](#) bit by bit in a continent that was once the cradle of humanity.

In the eyes of this author, the most significant development this week is the ceasefire between Colombian security forces and Fuerzas Armadas Revolucionarias de Colombia (the Revolutionary Armed Forces of Colombia), or FARC. This ends 52 years of a bloody and brutal civil war that has torn the country apart. As per a report by Centro Nacional de Memoria Histórica, this protracted conflict has left [220,000 people dead, caused 25,000 to disappear and displaced 5.7 million](#).

Like many conflicts, the origins of the Colombian civil strife lie deep in the past. As Eduardo Galeano eloquently writes in the *Open Veins of Latin America*, “Renaissance Europeans ventured across the ocean and buried their teeth in the throats of the Indian civilizations.” From the early days, Spanish *conquistadores* looted gold, silver and anything valuable that they could lay their hands on.

In an earlier edition of [The World This Week](#), this author referred to a contemporaneous record of early *conquistadores* by Bartolomé de las Casas about the horrors that devout Christians inflicted on pagan natives in what is now known as Cuba. These formidable Spaniards rejected a local chief’s offer of land and gold to attack his people, ship him off as a slave to Castile and rape his wife.

This story was repeated throughout Latin America, and Colombia was no exception. Most people with property rights tend to be of European descent. Even among them, it is the descendants of the *conquistadores* who sit at the top of the food chain with the most wealth and land.

Latin America’s current social stratification owes its origins not only to bloody conquest, but also to the lovely [casta](#) system introduced by the Spanish. As per this system, even those with 100% European blood such as the legendary [criollo](#) Simon Bolivar were inferior to those born in the Iberian Peninsula. The proud Bolivar was unable to accept such second-rate status.

In his brilliant [Jamaica Letter](#), he rejected the position of “serfs destined for labor.” Bolivar did not want Latin Americans to become “mere consumers” of Spanish products. He damned a future that involved merely “the cultivation of the fields of indigo, grain, coffee, sugar cane, cacao, and cotton; cattle raising on the broad plains; hunting wild game in the jungles; digging in the earth to mine its gold” for the insatiable greed of Spain.

Yet this has been the future of Latin America. The region still remains a producer of commodities. Spain was succeeded by the US and the [gringos](#) in turn have been replaced by the Middle Kingdom. Over the last few years, the economic boom in Latin America was sustained on the backs of ravenous Chinese demand for the likes of [Chilean copper](#), Brazilian [soybeans](#) and Uruguayan [beef](#).

As per the World Economic Forum, Latin America continues to be [the world's most unequal region](#). In 2014, the richest 10% of people in Latin America owned 71% of the region's wealth. This author has long been uneasy with [quantitative easing](#) that is boosting asset values such as Facebook shares and property prices, exacerbating the already egregious levels of inequality. In Latin America the increasing inequality promises to reach explosive proportions. As per Oxfam's calculations, the current trends will lead to the richest 1% owning more wealth than the remaining 99%.

Bolívar's [words](#) describing the social stratification of his land ring rather true today: "In Colombia there is an aristocracy of rank, office and wealth, equivalent by its influence, its pretensions and its pressure on the people, to the most despotic aristocracy of titles and birth in Europe. Included in the ranks of this aristocracy are the clergy, professional groups, lawyers, the military and the rich. In spite of all their liberalism, they prefer to regard the lower classes as their perpetual serfs."

Naturally, such a history of violence, oppression and exploitation leads to a reaction. The country has experienced civil war in one form or another for well over a century. This author first learnt about Colombia's conflicts through the magic realism of Gabriel García Márquez's 1967 masterpiece, *One Hundred Years of Solitude*. This novel refers to [the Thousand Days' War](#) between the conservatives and the liberals. The former favored a strong central government, limited voting rights and strong links between church and state. The latter wanted stronger regional governments, universal voting rights and a division between church and state.

The Thousand Days' War lasted from 1899 to 1902 and resulted in about 100,000 deaths at a time when the country's population was [less than 4 million](#). The conservatives triumphed but did not enjoy the fruits of their victory for long. "Rough Rider" Teddy Roosevelt was leading Uncle Sam on its march to great power status and the Panama Canal was an essential part of his plans. So, [Roosevelt supported Panamanian independence](#). In 1903, Panama emerged as a new country, depriving Colombia of a strategic and valuable strip of land.

Even as Colombia lost Panama, the tension between conservatives and liberals continued to simmer. In the 1940s, the tension erupted into outright civil war that was fought mainly in the rural countryside. [La Violencia](#), as this conflict came to be known, led to the murder of 200,000 Colombians in 20 years, a greater figure than the

casualties in the Korean War. It is important to bear in mind that this conflict is different to the more recent civil war between the government and FARC.

A Colombian friend of this author remarked that the latest civil war was merely old wine in a new bottle. Such has been the scale of inequity in the country that some feel compelled to rebel. Violence is a way of life with the oppressors seizing land and resources with impunity and some victims reacting with savage ferocity to become new oppressors as they taste blood. Tragically, the differences between different sections of society seem almost irreconcilable, and conflict has been a part of Colombia's DNA for much too long.

FARC was born after Catholic conservatives crushed reformist liberals during *la Violencia*. Triumphant in its victory, the conservatives unleashed a form of violence greater than the 200,000 killings. This violence was borne out of the ideas of a Canadian-born American development economist named Lauchlin Currie, who owned some ranching land in Colombia.

Currie inspired the policy of Accelerated Economic Development (AED). As per this policy, large-scale industrial agriculture was deemed to be the path to development. The law of the land proclaimed an "[efficient use of the land](#)." These seeming innocuous and innocent words were interpreted legalistically to dispossess hundreds and thousands of families of their land. Currie's argument was that they were not using the land efficiently. Only industrial farms could compete in the global market, export crops or meat, and economically develop Colombia. Therefore, cattle ranchers and big farmers merrily chased small farmers off their land. The government then proceeded to provide them generous subsidies on top.

As usual, the disposed got nothing. Their land, resources and wealth were simply transferred to the rich. AED was the Colombian equivalent of [the enclosures that took place in England](#). It was similar to what European settlers had done in North America and Australia. They had seized land from the natives on [the doctrine of terra nullius](#), which stipulated that if natives were not using the land productively then it was "nobody's land" and settlers were entitled to appropriate it.

As in England, the landless moved to cities, transforming "[a mostly agrarian society into one of the most urbanized nations in Latin America](#)." Apart from destroying the social fabric, this violent transformation pushed wages down. Businesses profited while

workers suffered. [Malnutrition was rife](#), slums widespread, poverty extensive, disease rampant and Dickensian exploitation a way of life. Marxists like [James J. Brittain](#) and fund managers like [Bruno del Alma](#) agree on the draconian nature and terrible consequences of AED.

In a book published in 1984 by the right-leaning Hoover Institution of Stanford University on [politics, policies and economic development in Latin America](#), Bruce Michael Bagley [concluded](#) that “subordinate ethnic (Indians, Blacks) and class (peasants, rural workers, the urban poor, and segments of working and middle classes) groups were systematically denied influence over state policy yet found themselves obliged to bear most of the costs of Colombia’s accelerated economic growth during the 1960s and 1970s.” Unsurprisingly, another rebellion broke out.

This time the rebellion was led not by liberals but by communists. Two organizations emerged: Ejército de Liberación Nacional (ELN) and FARC. Students, Catholic radicals and left-wing intellectuals comprised the former, while militant communists and peasant self-defense groups formed the latter. Although both ELN and FARC began as idealistic and ideological guerrilla movements fighting for land reform and greater equality, they gradually degenerated into armed gangs with a taste for power, wealth and blood. FARC emerged as the more deadly of the two.

[Like Naxalites in India](#) and other rebel groups elsewhere, murder, extortion and kidnappings became a way of life for ELN and FARC. The latter started producing, taxing and trafficking cocaine to raise revenues to continue its armed struggle against the government. The US resolutely supported the Colombian government in Bogota against the communist terrorists during the Cold War. In 2000, the US unveiled Plan Colombia, an aid package “[to help the country combat guerrilla violence, strengthen its institutions, and stem drug production and trafficking.](#)”

Álvaro Uribe, an Oxford- and Harvard-trained lawyer of a landowning family, became president in 2002. During his time in power, he unleashed the full fury of the state on FARC. Between 2002 and 2007, [homicides dropped by 40% and kidnappings by 80%](#). Uribe took on Ecuador and Venezuela for supporting FARC. Even Hugo Chávez, the Venezuelan strongman, backed down, pressured FARC to release hostages and [finally called for it to disarm.](#)

Uribe thankfully did not succeed in overturning the constitution and getting a third term. Another Harvard man, Juan Manuel Santos, took over in 2010. Santos was Uribe's defense minister and the only Colombian president in recent history to have served in the military as a young naval cadet. Compared to Uribe, Santos has turned out to be a rather different kettle of fish. In 2012, he announced [peace talks with FARC](#), which were to begin in Oslo, Norway, before moving to Havana, Cuba.

Santos has turned out to be a reformist president. In 2014, he [backed same-sex marriage](#) that [the country's highest court declared legal](#) earlier this year. In a smashing brilliant article in *The Guardian*, Santos declared: "[\[A\]s Colombia's leader, I know we must rethink the drugs war.](#)" He boldly pointed out that this war "on most counts shows little progress if contrasted with the amount of time, blood and treasure invested by so many nations with a view to dismantling a business that remains as strong and active as it was half a century ago." The peace deal with FARC is the crowning achievement for this reforming president.

Yet it is important to remember that this peace deal would not have been possible without the Cubans and the Americans making up and pitching in. Nick Miroff of *The Washington Post* has said the "[Colombian peace deal could mark a rare victory for US diplomacy.](#)" President Barack Obama has given Santos solid support and decent-sized checks. More checks are to follow. Pope Francis is also cheering the deal.

But Miroff wisely observes that "the history of peace-deal promises in Latin America is a muddy one." There are many banana peels that lie ahead and, like all deals, this one is imperfect. Rather appositely, Colombians will vote on the deal on October 2, the birthday of Mahatma Gandhi.

The formidable Uribe is urging the voters to say no to the deal. He is unwilling to forgive FARC for its crimes and [blames its fighters for the assassination of his own father in June 1983](#). Yet it is important to note that security forces and their allied far-right militias have been bloodthirsty too. Luis Moreno-Ocampo, the chief prosecutor of the International Criminal Court (ICC), [pointed out](#) that leftist guerrillas were responsible for 12% of the total killings, security forces 8% and the far-right militias a whopping 80%. A little forgiveness on all sides may go a long way.

Even more important to the prospects of long-term peace might be mitigating exploitation of the poor, providing public services and addressing the land question that

has long bedeviled Colombian society. Colombia has the second highest concentration of land ownership in Latin America and this inequality is a chief cause of rural poverty, which in turn has led to civil war.

Bearing this mind, Colombia passed a law in 1994 to set an upper limit to the land a single person could be allotted by the state. Laws need enforcement, though, and a recent [Oxfam report](#) points out how Cargill, an infamous US multinational, has been violating this law. Between 2010 and 2012, Cargill used 36 different shell companies to acquire 39 properties to produce corn and soy.

This is madness. Colombia cannot afford yet more marginalization of the already marginalized. The country needs a more democratic distribution of land and a strengthening of the small-farm economy for peace to stand a chance.

*\*Available online at [Fair Observer](#)*



## 15 Years After 9/11

September 11, 2016

*The effects of the 9/11 attacks live on today from the formation of the surveillance state to the rise of Islamic State, and how Obama's successors deal with the legacy of September 11 will define this century.*

The attacks of September 11, 2001, were a turning point in world history. That day, everything changed. The consequences of the events of 9/11, as the day has come to be known since, still continue to unravel.

Like it or not, we live in the era of the American Empire. Sure, the United States does not have large swathes of territory under its direct control like the empires of the British, the French and the Spanish, but its writ runs large and its might is unchallenged.

Despite large budget and trade deficits, [the dollar continues to be the reserve currency of the world](#). This means that dollars make the global economy go around. No one can do without the dollar whether it is Vladimir Putin's troublemaking Russia or Angela Merkel's export champion Germany. Therefore, the US can get debt for cheap, pushing down the cost of capital for its companies and entrepreneurs. It means the US Treasury can issue bonds for laughably low interest. This, in turn, allows the Americans to pay less for their mortgages and consume more merrily.

While emerging economies are on the rise, the US still remains an economic powerhouse that is home to companies such as Apple, Google, Amazon, Facebook and SpaceX. Manufacturing is [still strong](#) and shows new promise because of new materials, 3D printing and more. It is still relatively easy to start businesses in the US. Universities like the Massachusetts Institute of Technology (MIT) and Stanford are closely intertwined with both government and industry, throwing up the exciting new technologies of tomorrow. The US economy still comprises a quarter of the total global GDP, or gross domestic product.

The US military is nonpareil. It can project power anywhere, including the doorstep of China. American ships patrol sea lanes, its jets dominate in the air, and its drones can strike anyone anywhere in the world. Its bases dot the planet. Americans dominate space and outer space too. Uncle Sam can count on many allies, and some like the United Kingdom, Japan and South Korea are fond of its tight embrace. Even recalcitrant allies depend greatly on the US and its military-industrial complex stands unrivaled.

More importantly, the US has what Joseph Nye calls "soft power" or what Antonio Gramsci more eloquently termed "cultural hegemony." Other nations may carp and complain about America, but they live in a world where this grand and glorious country is *primus inter pares*. It is Uncle Sam that created the United Nations (UN), which is headquartered in New York. The World Bank and the International Monetary Fund (IMF) are a stone's throw away from the White House. The rules the rest of the world has to play by—whether they pertain to trade or nuclear nonproliferation—have largely been written by the US.

Tellingly, both Chinese communist bosses and Indian political leaders pack off their children to American universities where some lucky ones study under Nye. Latin

America's biggest trading partner might now be China but, like the Chinese and the Indians, Latin elites pack their children off to study in the US.

They also tend to buy property, spend vacations and have relatives in Uncle Sam's land. The US president is still supposedly the leader of the free world and almost every other leader defers to him.

Even the denizens of the Arab world, Afghanistan and Pakistan, where resentment toward *Amreeka* simmers and not infrequently erupts explosively, are obsessed with the superpower. The conspiracy theories that abound in these places outdo the imagination of superlative thriller writers. Needless to say, many of the best minds in this region make a beeline for the top US schools despite their reservations.

The world still embraces the US model, lock, stock and two smoking barrels. Hollywood is the global theater of dreams despite all the singing and dancing of the midget Khans of Bollywood. American superheroes routinely save the world just as Jesus once did for a church that is still based in Rome. American slang fills the vocabulary of teenagers from Shanghai and Mumbai to Nairobi and Sao Paolo. The British who gave the Americans their common law system, language and measurements have long accepted the role ancient Greeks adopted in rambunctious Rome. Even the French, for all their Gallic Vercingetorix-style pride, grudgingly march to the tune of their more virile *sans-culotte* cousins.

The fall of the Berlin Wall was the finest hour of the American Empire. Soon, the Soviet Empire collapsed and the Soviet Union itself crumbled. George H.W. Bush led a popular coalition into the First Gulf War when he liberated Kuwait from Saddam Hussein's Iraq. Economically, politically, culturally and ideologically, the US was on the ascendant. American ideologues saw this as a vindication of their system, warts and all. It was during this period that Francis Fukuyama talked about the end of history. Now, the world would march in step toward American-style democracy and presumably sing *Kumbaya*.

The attacks of 9/11 destroyed much more than the Twin Towers. They blew up the idea that history had ended. They dramatically dented American self-belief and swagger. Random terrorists achieved what the Japanese and the Germans had failed to in World War II. They managed to strike New York and Washington, DC, the heart of this great nation of Manifest Destiny. Suddenly, the world was not such a kinder and

gentler place as Bush Sr. had promised, but a dark and dangerous environment where perils lurked in the shadows and no place was safe anymore.

After the attacks, the US wanted revenge. Therefore, the country invaded Afghanistan where the Taliban had acted as hosts to al-Qaeda. Most of the world applauded as the US unleashed the full fury of its wrath on the Taliban and turned the screws on their backers, Pakistan.

None cheered harder than India. For long, the country had been at the receiving end of *mujahedeen* who reviled the idol-worshipping [kuffar](#). In the run up to 9/11, the Taliban had destroyed the Bamiyan Buddhas and had granted shelter to a plane hijacked by extreme Islamists in Kandahar, Afghanistan. With characteristic pusillanimity, the Indian government had acquiesced to the hijackers' demands, handing the Taliban a big victory and filling their sails with wind. As Big Brother Uncle Sam stepped into the picture, weak-kneed India and much of the world felt safer.

If George W. Bush, or rather Bush Jr., would have focused on al-Qaeda and the Taliban in Afghanistan, the history of the world might have been different today. What his administration did thereafter was not only monumentally stupid, but also heartbreakingly tragic. Worthies like Dick Cheney, Donald Rumsfeld and Paul Wolfowitz acted as cheerleaders with hairy legs for a full-scale invasion of Iraq. In an administration staffed by Christian evangelists and neo-conservatives, machismo and ideology replaced thinking and understanding. The decider-in-chief was urged to act speedily.

The arguments for the invasion of Iraq were all over the map. Some argued that Iraq had broken international law and, as an avenging sheriff, the US had to ride out to mete justice to an incorrigible rogue regime. Others believed that Saddam Hussein, the bloodthirsty dictator of Iraq, was building weapons of mass destruction and a preemptive strike would kill the baby in the crib. This would rid the world of another 9/11 possibility, making it a safer place.

The most naive who had read little history and had even less understanding of cultures outside North America and Europe were adamant that the invasion would ring in democracy in the Middle East. Many of these champions of democracy from places like Harvard and Oxford believed that the US would be able to establish democracy in Iraq in much the same manner as it had in Germany and Japan after World War II. The

fact that some of Uncle Sam's closest allies were Wahhabi Saudi Arabia and military-ruled Pakistan was conveniently ignored in a staggering act of cognitive dissonance. These were mere details for woolly headed intellectuals or bleeding heart liberals.

The Iraq War chipped away at the cultural hegemony of the US for three reasons.

First, the non-white world did not buy the US justification for the war. Those who conducted the 9/11 attacks were neither from Iraq, nor were they supported by the Saddam regime. Therefore, invading Iraq made little sense, especially when the war against the Taliban had yet to be won. Most former colonies saw Uncle Sam acting as an imperial power of yore to rob Iraq of its oil. Even many European powers such as France and Germany were distinctly uneasy about the war and publicly opposed it.

Second, the US undermined the UN to invade Iraq. Ironically, the US created the United Nations to uphold a rules-based system. Now, it was signaling to the world that it would not play by its own rules. John Bolton, [an incongruously pugnacious ambassador to the UN](#), did not win Uncle Sam many friends and gave the impression that Bush Jr. wanted to run the world like his Texan ranch.

Third, American credibility took a beating in the Middle East. For long, US interference in the region from the 1953 coup in Iran to its strong alliance with Israel made people suspect, fear and blame the superpower for the [Arab world's woes](#). Its wanton holier-than-thou invasion of Iraq filled people with contempt. Many may not have liked the cruel Iraqi dictator, but they did not want to be colonized again.

The Iraq War also led to a strategic and not just cultural challenge to US hegemony. Effete Europeans just wrung their hands in exasperation as their corn-fed relative acted boorishly. On the other hand, the Chinese were filled with consternation as US troops cruised effortlessly into Baghdad. Now, modernization of its sprawling People Liberation Army (PLA) had to proceed posthaste so that the Middle Kingdom was not caught napping again as in the Opium Wars of the 19<sup>th</sup> century.

The invasion of Iraq may have filled the Chinese with dread, but it has turned out to be quicksand for America. Uncle Sam still remains mired in the Middle East. Even neo-conservative fanatics like Paul Wolfowitz have admitted that [the US bungled in Iraq](#). Truth be told, it blundered not bungled and did so big time. Dismantling all systems of governance in the fanatical pursuit of [de-Baathification](#) brought chaos to Iraq. While

hyped-up [Harvard Law School bigwigs who specialize in Jewish and Israeli law](#) were cooking up Iraq's delectable new constitution, the country hurtled into civil war and ethnic cleansing, paving the path for the rise of the Islamic State.

In the meantime, [4,500 American soldiers](#) have died, 30,000 more have suffered injury, even higher numbers have some sort of post-traumatic stress disorder (PTSD), and US taxpayers have shelled out well over \$1 trillion even by conservative estimates. The US military is running ragged with far too many tours of duty taking their toll on its personnel. Hence, the world's fabled fighting machine is "[under strain and at risk](#)." An emboldened China is flexing its muscles in the South China Sea and even elsewhere. [Matt Schiavenza of The Atlantic](#) argues that China emerged as the biggest winner of the Iraq War. He is not exactly right but there is an element of truth to his argument.

China has certainly become more powerful but it is starting from a very low base. Besides, the incredibly insular Middle Kingdom has a long way to go. It has hundreds of millions of poor peasants to take care of, a dramatically aging society because of its one-child policy, and entanglements in its near neighborhood that leave little time and energy to challenge Uncle Sam globally. More importantly, Chinese is not a world language and the Middle Kingdom offers no new paradigms for the world—economic or technological, philosophical or spiritual. There is no Baghdad-style House of Wisdom in the offing in the land of Confucius that is fast being seduced by Christianity and Christian Dior.

The domestic implications of the Iraq War for the US are more important. Unlike Vietnam, this war has been invisible to most of American society apart from images on television, headlines in newspapers and flashy Hollywood films. There is no conscription or draft, as the Americanos say, to bring home the reality of war to bright young things thronging expensive and not-so-expensive American universities. So, this war has not led to introspection or debate as during the Vietnam War.

Moreover, in the age of Facebook, even [iconic photos of the Vietnam War](#) are censored. This means that most Americans are uninformed about foreign wars that never show up in their news feeds. Naturally, returning soldiers feel isolated in an apathetic society. For all the lip service Americans pay their military, it is the poor who end up serving the country. In a transactional society that worships Mammon, no one

gives a damn for their service. This worsens the [PTSD that is rampant in the US military](#).

After the 9/11 attacks, the US became a country afraid of its own shadow. This enabled the formation of a [surveillance state](#) that monitors its citizens minutely. Edward Snowden has put this issue on the public agenda, but people are too busy on Twitter or Snapchat to care. Meanwhile, 9/11 has made the militarization of police in the US exponential. In an earlier edition of [The World This Week](#), this author pointed out that worthies in Washington, DC disbursed \$35 billion to state and local forces between 2002 and 2011. As a result, the police are more violent, pay less heed to people's safety and ignore their civil rights. In the new *zeitgeist*, they conveniently avoid public scrutiny or public accountability.

The overreaction by the US in its foreign policy post-9/11 has been reversed under President Barack Obama. While he has continued with drone strikes and eliminated Osama bin Laden on Pakistani soil, the [Obama doctrine has been characterized by an Asia pivot](#). The president who grew up in Indonesia has worked hard to shift America's focus to Asia even as he tries to extricate the US from the Middle East. Therefore, Obama has been reticent to intervene in Syria even when the Bashar al-Assad government crossed his "red line" of using chemical weapons. He has not been too keen to jump into Libya or send ground troops back to Iraq to fight the Islamic State. This is a stark contrast to the trigger-happy days of George W. Bush.

Apart from pivoting to Asia and steering clear of more engagements in the Middle East, the Obama administration has been busy settling old feuds and crafting new alliances. Historic rapprochement with Cuba and Iran has been accompanied by forging closer ties with Vietnam and India.

As a modern-day Marcus Aurelius, Obama has contained some of the damage of 9/11. More importantly, he has ensured that Pax Americana lives on for now. It is up to his successors to figure out how to deal with the continuing legacy of 9/11. Their wisdom or folly will define the fate of this century.

*\*Available online at [Fair Observer](#)*



# Be Afraid, Be Very Afraid

September 18, 2016

*Many Americans are deeply uneasy about Hillary Clinton, whose chances have been hurt by revelations about her health and by the violence that hit the US this weekend.*

Time rides a winged chariot and keeps flying by. This week was no exception, leaving this author with a deluge of events to swim through. The US and Russia concluded [a ceasefire in Syria](#) that obviously did not include the Islamic State or al-Qaeda. The limited ceasefire itself seemed like an arrangement that would not last.

More importantly, the US decided to shower Israel with \$38 billion over ten years in a historic military aid deal. Given the recent spats and history of mutual dislike between the leaders of the two countries, Uncle Sam's generosity might come as a surprise to some. Therefore, this author penned a blog post at [Fair Observer](#) to explain the reason for continuing American munificence to a tempestuous ally that believes the tail wags the dog.

Even as the US hugged Israel tight, violence broke out this weekend in the land of the free and the home of the brave. First, a [pipe bomb exploded](#) on the route of a charity race in New Jersey for soldiers and sailors. Second, a [stabbing attack](#) in a shopping mall in Minnesota left eight people injured. Third, a pressure cooker containing shrapnel [exploded in New York](#), injuring 29 people. Another unexploded bomb was found nearby.

Truth be told, the attacks themselves were not significant. No one died. However, they are affecting the American mood this election season. In a piece of news that has largely gone unnoticed, [the nation's largest police union has endorsed Donald Trump](#). More than two-thirds of the union's national board supported him. The union has historically supported Republicans, though it did not endorse Mitt Romney in the 2012 election. Trump is no ordinary candidate, however, and he has an unsavory reputation that tarnishes those who associate with him.

Therefore, the union's decision to support Trump is indicative of a wider shift in voter sentiment. Many supporting Trump are [bigoted misogynists](#) or [unabashed racists](#). Yet many well-meaning Americans are tilting to Trump. In numerous conversations at bus

stations, construction sites and down-at-heel diners, this author has found Americans rationalizing their support for Trump in different ways.

A close friend who supported Bernie Sanders told this author that Hillary Clinton is far too war-like to hold power. Trump has savaged the Bush family and damned the Iraq War in a way that redeems his sins. In contrast, Hillary Clinton [voted for that disastrous war and the PATRIOT Act](#). More importantly, she is unwilling to hold her hand up and admit her mistakes. While Trump might be a lying braggart and an obnoxious bully, Clinton was a wolf in sheep's clothing and would persist with a status quo that is untenable.

Another Trump supporter who is an independent made a case for voting for the Republican candidate to register his protest against a “political class [that] has grown increasingly detached and disconnected from the lives of an overwhelming majority of Americans.” He argued that current elites “seek to build an impossible society, or worse, a society whose model, we know, doesn't work not only for everyone, but not even for 30% of the population.” As he memorably said, “a society made of only software engineers cannot function.” After all, even Google engineers need someone to manufacture the computer servers on which their software runs.

This Trump supporter is one among many who argue that globalization has failed, that trade treaties have taken jobs abroad, and that the American working class is suffering as a plutocratic global elite gets wealthier and wealthier. There is certainly more than an element of truth to this argument. In fact, in an earlier edition of [The World This Week](#), this author argued that Trump has a point.

Trump's criticism of the Iraq War is bold, especially given the fact that he is the Republican candidate. Trump rightly terms Bush's foreign policy a disaster where “logic was replaced by foolishness and arrogance.” Trump is also making an oft-overlooked fact. American workers did lose out as American managers moved factories overseas to cut labor costs and increase profits. The managers were only fulfilling their fiduciary duty to maximize profits for shareholders who have done rather well even as workers have suffered.

When factories started moving away, Americans were still able to live well because of the property bubble, fueled by Alan Greenspan's low interest rates. They were able to buy cheap products manufactured in China at Walmart. Out went Mom and Pop shops.

In came the big corporations with economies of scale, low prices and almost infinite choice. At the same time, the Internet promised a brave new world. For a while, everyone was a winner in the era of globalization. Yet as most Americans are now painfully aware, the party did not last forever.

During the last two and a half decades, the benefits of globalization that Bill Clinton championed during his two terms have gone largely to the Goldman Sachs-types who sat in his cabinet and who now [pay huge speaking fees](#) to his wife. As this author has [repeatedly pointed out](#), the financial liberalization pushed through by the Clinton *consiglieres* despite warnings by those who argued for prudence led directly to the Great Recession of 2008. President Bush's response to the recession was [bailing out the "too big to fail" banks](#) through taxpayer money, a classic case of capitalism on the upside but socialism on the downside. Neither the [Tea Party](#) nor [Occupy Wall Street](#) was too pleased with bankers paying themselves bonuses with [taxpayer's money](#) while sanctimoniously claiming that they were "[doing god's work](#)."

It is this incestuous world of hobnobbing politicians and financiers that is riling up voters. No one epitomizes this noxious nexus more than the Clintons. Over the years, the Clinton Global Initiative has emerged as a watering hole for far too many shady characters, and money has flown into the Clinton Foundation after decidedly dodgy deals. In a classic investigative story, *The New York Times* chronicled how Canadian mining men profited handsomely from a [Russian uranium deal](#) and then proceeded to donate generously to the Clinton Foundation.

These Canadians are longstanding friends of the Clintons. They "built, financed and eventually sold off" a company that became known as Uranium One. This sounds like a straightforward transaction by astute businessmen. The trouble is that the Canadians sold out to the Russians, and Uranium One owned some of the richest uranium mines in Kazakhstan as well as 20% of all uranium production capacity in the US. Hillary Clinton, as US secretary of state, signed off on the deal even as Bill Clinton received \$500,000 for a speech in Moscow from a Russian investment bank with close ties to the Kremlin.

All of this might be legal but it raises issues about conflicts of interest if not outright corruption. Many, including [New Hampshire Review](#), have compared the Clintons to the scheming Underwoods of the popular television series *House of Cards*. Even David

Geffen, a Hollywood mogul and once a major donor to the Clintons, once remarked about them: [“Everybody in politics lies but they do it with such ease, it’s troubling.”](#)

Hillary Clinton is a deeply damaged candidate with far too many skeletons in her cupboard. She has been in power far too long and, as someone wise once said, power corrupts. Earlier this year, she ironically delivered [a speech on income inequality in a \\$12,495 Giorgio Armani jacket](#). It evoked Marie Antoinette’s apocryphal comment about the starving *sans culottes*: “If they have no bread, let them eat cake.” Actually, the irony is worse because the Clintons claim to represent *les sans culottes* while gorging on *foie gras*.

The oft-repeated charge against the Clintons is that they have courted the left with their stated intentions while appeasing the right with their actions. In a [1999 article for Salon](#), Charles Taylor wrote that he could not support Bill Clinton’s reelection in 1996 because “the callous Welfare Reform Act (a name that disguised its true intentions); the (similarly misnamed) Defense of Marriage Act, with its craven middle-of-the-night signing; the First Amendment-trashing Communications Decency Act” were “pieces of legislation that might have been expected of the far right.”

Those who defend the Clintons point out that the collapse of communism had created a new *zeitgeist* where everyone embraced heartily, including many in former politburos. They give Bill Clinton credit for balancing the budget, and appreciate Hillary Clinton for attempting health care reform. They see Clintons as pragmatists who wielded power to achieve the possible and hold the climate change-denying, anti-abortion, tax-cutting Republicans at bay.

Whatever their supporters say, the Clintons are a little past their sell-by date. The new royalty that they have created with [McKinsey-trained Chelsea Clinton as heir-apparent](#) is disconcerting to many. Political dynasties are commonplace around the world, but the Clintons are under fire because their claim to speak for the underdog does not wash anymore in an age of [increasing inequality](#).

Given the unease against the Clintons, it would make sense if the Americans turned to someone with humble roots or new ideas. The tragedy is that they are turning to Trump. This is a man with a history of [lying](#), bullying and fearmongering. Like Ronald Reagan and Bill Clinton, he is a [draft dodger](#) who wriggled out of serving his country in

war. He is a [reality television celebrity](#) with a nose for publicity. More importantly, Trump is yet to offer new ideas, a coherent vision or credible plans to the voters.

Furthermore, Trump is a spoilt rich brat who inherited his initial capital from his father. In building his fortune, he has left behind a trail of what *The Wall Street Journal* calls “[a trail of unpaid bills](#).” In a masterpiece, [John Oliver skewered Trump](#) for incessantly lying through his teeth, for repeatedly failing in business, for exaggerating his net worth, for preying on the vulnerable and for just about skirting clear of the law. This self-proclaimed billionaire is turning out to be the ultimate Teflon candidate. Nothing sticks. Trump is the incongruous candidate for the party of family values despite bragging about his “[experiences with women, often seemingly very happily married and important women](#).”

This weekend’s violence combined with Hillary Clinton’s abrupt departure at a ceremony commemorating the 9/11 attacks is strengthening Trump. For many Americans, a [strong leader](#) is preferable to [one suffering from pneumonia](#) to fight the Muslim terrorists who want to destroy the land of freedom. They assume that because Trump is “independently wealthy” and does not have to worry about the economic future of his children, he owes nobody in the political establishment any favors and can make much-needed bold decisions. They hope that Trump will also run the country like a business and do terrific deals to “make America great again.”

The truth is that Trump personifies all that he rails against. He is a wealthy New Yorker who has lived a life of glitz and glamor. Trump has a history of using and abusing his privilege to make more wealth. He is a wheeler dealer who has profited from his political connections. In fact, the Trumps and the Clintons have been quite [chummy in the past](#). Interestingly, Chelsea Clinton and Ivanka Trump [continue to be friends](#). Both these families have thrived on [the cult of success that dominates American consciousness](#).

As per Americano logic, Trump is smart because he is rich. *Ipsa facto*, this smart man can solve the nation’s problems and be a great president. Americans forget that, given his record, Trump is quite likely to use the president’s office to benefit his cronies and children [à la Silvio Berlusconi](#). Already, Trump is showing signs of being even more dynastic than the Clintons. At the Republican National Convention, Trump rolled out his mannequin-like Trumplets to trumpet his greatness. Yet Hillary Clinton is so unacceptable to many Americans that they are willing to vote for an abominable

demagogue who speaks uncouthly, behaves disgracefully and is unfit to run for any office, leave aside that of president.

\*Available online at [Fair Observer](#)



## War in Syria is a Never-Ending Tragedy

September 25, 2016

*The Syrian Civil War will continue because of protracted repression, rising sectarianism, the collapse of Iraq, extensive foreign interference and a tortured past.*

On September 25, Samantha Power, the US ambassador to the United Nations (UN), [declared with much passion](#), “what Russia is sponsoring and doing [in Syria] is not counterterrorism; it is barbarism.” In the previous edition of [The World This Week](#), this author was of the view that the Syrian ceasefire was unlikely to last. However, the author did not anticipate it would unravel so spectacularly.

Right from the outset, the [fragile ceasefire was strained by fresh fighting](#). Accusations from all sides flew in thick and fast. On September 19, an attack on a Syrian Arab Red Crescent (SARC) warehouse and a UN aid convoy in Aleppo killed more than 20 civilians. [The US held Russia responsible](#) while the latter vehemently [denied carrying out the attack](#).

The UN has called the attack on the convoy “[sickening, savage and apparently deliberate](#).” Stephen O’Brien, the UN emergency relief coordinator, declared: “[I]f this callous attack is found to be a deliberate targeting of humanitarians, it would amount to a war crime.” Yet for all its outrage, [the UN has suspended all aid convoys in Syria](#).

The conflict in Syria shows no sign of stopping. Rivers of blood keep flowing in this cursed land. Bombs, bullets, missiles, mortars, torture, execution, deprivation and starvation are now a feature of daily life. The suspension of aid will exacerbate the dire situation further. Such is the savagery of violence in Syria that people have little option but to flee for their lives.

Before civil war broke out, Syria's population was 22 million. [According to the UN](#), more than 250,000 have been killed—other estimates range between [400,000](#) and [470,000](#)—and over a million have been injured since March 2011. Furthermore, around 4.8 million have fled across the Syrian border and another 6.5 million have moved to safer places within the country. This is [the largest displacement crisis in the world](#).

The Syrian Civil War is a catastrophic conflict of confounding complexity. In the words of Robert Mardini, the Middle East director at the International Committee of the Red Cross, “hundreds of armed factions, countless front lines, with local, regional and international dimensions” and too many sponsors have unleashed a “[tidal wave of suffering](#).”

So, what exactly is going on?

To understand the present, we have to delve into the past. The land that now comprises Syria was part of the Ottoman Empire until less than 100 years ago. Numerous communities such as Shia Muslims, Sunni Muslims, Aramean-Syriac Orthodox, Greek Orthodox, Maronite Christians, Assyrian Christians, Armenians, Kurds and Jews coexisted fairly peacefully despite mutual prejudice, jealousy and rivalry.

By the 19<sup>th</sup> century, the Ottoman Empire was crumbling and power was shifting to the provinces. Then World War I came knocking and the Ottomans joined the losing side. Lawrence of Arabia stoked rebellion even as Mark Sykes and François Georges-Picot proceeded to carve up the Ottoman Empire with aplomb. After the war, promises of independence were jettisoned for British and French rule. Out went light touch administration where local notables largely ran the show. In came centralization with power and patronage radiating from the capital of new states. Now, the elites who took charge of the capital would dominate and this set off a brutal chain of events that continues till today.

In a May 2015 edition of [The World This Week](#), this author argued that the Middle East is going through its own version of the Thirty Years' War. That war ended in the Treaty of Westphalia and created the modern state-based system for the entire world. Unnoticed by many, the current conflict in Syria and Iraq is chipping away at that very Westphalian system.

John Feffer, a foreign policy guru, recently observed at *Fair Observer* that “[many states are held together by little more than surface tension](#).” He pointed out that ethnic nationalism and religious extremism are bringing fragmentation and chaos to the modern world. Feffer went to posit that Syria is a nightmare for states because whatever is tearing it apart might be contagious.

Feffer’s comment about surface tension certainly rings true for Syria. Once the French reluctantly returned home in 1946, little united the country except the will of its authoritarian rulers. [One military coup followed another](#). In fact, Syrian leaders even attempted a merger with Egypt in 1958. They had been stung by failure against Israel in 1948 and feared the growing power of the communists. This was also a time when the stock of Egyptian President Gamal Abdel Nasser was riding high. By standing up to the British and the French during the [1956 Suez Crisis](#), Nasser became a hero in the Arab world.

Needless to say, [the union did not last](#). Nasser’s centralization of power and domination by Egyptians did not go down too well with Syrian officers. His banning of political parties destroyed pluralism in the country and made it even more vulnerable to military rule. Consequently, officers seized power in 1961 and dissolved the union. From now on, Syria would be a separate state.

Another coup in March 1963 brought Baathists to power. They were [emulating the February coup in Iraq through which fellow Baathists had seized control](#). Baathists believed in nationalism, socialism and pan-Arabism, but the reality of their rule turned out to be vastly different to their stated ideals.

The Baathists were not exactly a united lot. Like the Bolsheviks, they had their own internal rivalries. They were soon to get their own Joseph Stalin. The Stalin of Syria was Hafez al-Assad who captured power after [a canny coup in 1970](#). Like his Soviet counterpart, he stuck to power and died in office. Unlike Stalin, however, he created a de facto monarchy where all power was concentrated in his family.

It is ironic that both Hafez al-Assad and Saddam Hussein were Baathists who belonged to minority communities. The former was an Alawite who ruled a Sunni-majority state, while the latter was a Sunni of the Tikrit clan who ruled a Shia-majority state. Both trusted their clan members most and showered them with patronage. In

fact, for all their rhetoric about socialism, the two rulers were like Sicilian mafia bosses intent on handing over power only to their sons.

Just as Saddam used torture, murder, imprisonment and even chemical weapons to control restive elements such as Marsh Arabs and Kurds, Assad used ruthless methods to eliminate opponents of his regime. He deemed the Muslim Brotherhood the greatest threat to his rule, and the [1979 attack on the Aleppo Artillery Academy](#) gave him the perfect opportunity to strike.

Rifaat al-Assad, Assad's brother who appositely lived for years on "[the avenue of ill-gotten gains](#)" in Paris, argued for an extermination policy. Charming, he was inspired by none other than Stalin. After an assassination attempt on Hafez al-Assad, Rifaat struck hard. He conducted the [Tadmur Prison Massacre](#), killing between 500 and 2,000 political prisoners in cold blood. From now on, the Assad regime followed a pre-planned liquidation policy where people were locked up, tortured and killed on mere suspicion. Even women and children were not spared.

In 1982, some rebels ambushed Syrian troops in Hama and called for a popular uprising. In response, the regime [killed an estimated 10,000 to 40,000 people in a 27-day campaign](#), bringing in the air force to reduce the town to rubble. Such was the carnage that wild dogs gorged on corpses for months afterward. Hama broke the back of the people. Thereafter, the regime further tightened its grip by strengthening its secret police and creating an even more elaborate personality cult around Assad.

Even as Iraq stumbled after Saddam's invasion of Kuwait in 1990, Assad grew from strength to strength. He supported Palestinians, intervened in Lebanon and saber-rattled with Israel. So secure was Hafez al-Assad on the throne that his son's accession to the top job was smoother than silk.

Initially, it appeared that Bashar al-Assad was a more forgiving character than his father. In 2000, he released 600 political prisoners. In 2001, the outlawed Muslim Brotherhood announced that it was resuming political activity. In the same year, Pope John Paul II turned up to pay a visit. So did the still-closet Catholic [Tony Blair to win Syrian support for the War on Terror](#).

The honeymoon did not last. Soon, Syria was in the doghouse again. The US imposed sanctions and Israel hit a Palestinian camp near Damascus. When Lebanese Prime

Minister [Rafik Hariri was murdered in 2005](#), the Syrian military had to eat humble pie and withdraw from Lebanon. Incongruously, by 2008, Syria started returning to the fold again and even established diplomatic relations with Lebanon for the first time since independence. In 2009, trading launched on a stock exchange in Damascus and it seemed that the Assad dynasty had more lives than a lucky cat.

The reality is that despite the appearance of strength, the Assad regime was skating on thin ice. Decades of repression had bred resentment. People chafed against a culture that prized loyalty more than competence. Poor public services, [widespread corruption](#) and high unemployment heightened discontent. When the [Arab Uprisings](#) broke out in 2011, people took to the streets in Syria.

Almost by reflex, the regime packed off troops to crush the uprising. This time the people fought back. As violence escalated, the conflict took on sectarian hues. After years of being on the sidelines, Sunni Arabs took up arms to overthrow Alawite domination. Christians, Shias and other minorities often reluctantly ended up supporting the Assad regime. Meanwhile, the Kurds carved out their own autonomous space in both Syria and Iraq.

The conflict and chaos in Syria was a godsend to the [Islamic State](#) (IS). This organization began in Iraq after the US invasion left the country in shambles. The ideological and incompetent Bush administration dismantled the apparatus of the Iraqi state and practiced sectarian favoritism. As a result, the Shias who came to power decided it was payback time for Sunnis who had ruled the roost during the Saddam era. It is some of these Sunnis that formed the core supporters of IS and then moved into Syria to defend those who shared their faith.

Such was the [brutality of IS](#) that it put into shade [the use of chemical weapons by the Assad regime](#). In the early days, the Islamic State was not so toxic. Sunni powers such as Saudi Arabia, Kuwait and Turkey were not entirely unsympathetic to the group. Even as the Assad regime relied on Iran and Hezbollah, [IS benefited from idling Turkish tanks when it attacked Kobane](#).

As the civil war has intensified, rape, torture, beheadings, attacks on hospitals, barrel bombs and more have become par for the course. The cruelties in the conflict keep reaching new nadirs. Ceasefires have come and gone and so have peace agreements.

On February 28, this author was scathing about the flawed assumptions and wishful thinking of one such agreement. Like Neville Chamberlain, diplomats who worked on it claimed “[peace in our time](#)” while clinging to the dogma of a Westphalian state with colonial borders. A cursory look at any [map that shows territory controlled by different groups](#) reveals that borders are now meaningless for Syria, Iraq and even Lebanon. As this author wrote then, “silly lines in the sand have been washed away by frothy waves of blood.”

The Kurds are not going to give up on their [de facto state](#) that they have gained after decades of oppression. Sunni Arabs are unlikely to give up the idea of uniting across the Syria-Iraq border. Minorities like Alawites, Ismailis and Christians are likely to be uneasy about Sunni domination in a democratic Syria. The vice versa is true for Iraq where an Americano constitution framed by a Harvard expert on Jewish law has not exactly proved to be a resounding success.

There are wheels within wheels within the Syrian conflict now. The Islamic State is not only fighting sworn enemies such as Iraqi Shias and Kurdish forces, but also fellow jihadists like the al-Qaeda-affiliated Jabhat al-Nusra. Rebel groups keep proliferating. Their interests, beliefs and goals are not exactly easy to reconcile.

Furthermore, foreign players continue to meddle, and chief among them is Russia. Syria was once a Soviet ally and Russian President Vladimir Putin, a former KGB colonel, is determined to prop up his only ally in the Middle East. Iran and Saudi Arabia continue to remain involved. Of late, Turkey has jumped into the fray with muddled ideas and foggier plans. Meanwhile, Uncle Sam blows hot and cold without being able to decide what exactly it will do.

As anyone can see, the entire situation is a tragic mess. No wonder Syria seems cursed with a civil war set to rage on for years.

*\*Available online at [Fair Observer](#)*



# Voters Say No to Colombia Peace Deal

October 2, 2016

*The shock results of the referendum reflect deep divisions in Colombia and raise questions over whether referendums are the best way to achieve peace in divided societies.*

In the year of the [Brexit referendum](#), Colombians rejected a landmark peace deal with [50.2% voting against it](#). This referendum was held on October 2, Mahatma Gandhi's birthday. This is not quite the present that the old man would cherish. So, what is going on?

In the September 4 edition of [The World This Week](#), this author delved into the history of the Colombian conflict in some detail. For over a century, this tortured land has been blighted by violence and strife. From the Thousand Days' War of 1899-1902 to *la Violencia* of the 1940s and 1960s to the more recent insurgency of Fuerzas Armadas Revolucionarias de Colombia, or FARC, this Latin American country of over 48 million has experienced almost incessant civil war.

Like other Latin American countries colonized by the Spanish, Colombia remains a deeply unequal society. This author has pointed out earlier that Latin America is the world's most unequal region, with the richest 10% owning 71% of the total wealth. In the [words of Sergio Fajardo](#), the former governor of Antioquia, a region made famous by drug lord Pablo Escobar, "with the exception of Haiti, Colombia is the most unequal country in Latin America, and Antioquia is the most unequal region in Colombia."

Two centuries ago, none other than Simon Bolivar was complaining about the "aristocracy of rank, office and wealth" that regarded "the lower classes as their perpetual serfs." Fajardo's comments echo Bolivar's and Jean-Baptiste Alphonse Karr's words, *plus ça change, plus c'est la même chose*—the more things change, the more they stay the same—ring eerily true.

To add salt to the wound, inequality in Colombia is combined with a culture of flagrant illegality and rampant corruption. As if this was not enough, the trafficking of narcotics and the unending guerilla conflict have combined to severely sunder the country's social, political, economic and cultural fabric.

Clearly, the status quo in Colombia is untenable. So, why did Colombians vote against the peace deal?

As the vote demonstrates, the country is deeply divided on the issue of a peace deal with FARC. The issues are complex and [the devil lies in the details](#). Like all deals, this peace deal was imperfect. Many Colombians detested the special treatment for FARC guerrillas. They believed that the creation of a new law above the law of the land to deal with the guerrillas was simply unacceptable.

The most vigorous opponents of the agreement such as former President Álvaro Uribe viewed the deal as [capitulation to FARC](#). They claimed to want peace but they could not accept impunity. As is well known, Uribe's father was murdered in 1983 and he has always blamed FARC for it. Others have also suffered from the brutality of FARC whether it is killings, kidnappings, explosions, extortions, threats or other forms of violence.

As this author has [explained earlier](#), FARC was born after the brutal suppression of reformist liberals during *la Violencia*. As in other parts of Latin America, Uncle Sam played a big role in creating the conditions for the birth of FARC. Lauchlin Currie, yet another American economist, deemed that Colombia needed industrial agriculture to supply products to the United States and inaugurated the Accelerated Economic Development (AED) policy. To implement it, legislators drafted a new law providing for the "efficient use of the land." This law was used by the state to dispossess hundreds and thousands of families of their land.

Under Currie's infamous AED policy, the state effectively acted as Robin Hood in reverse. It robbed the poor for the rich. Then it used taxes collected from the poor to give subsidies to the rich. Cattle ranchers and big farmers profited, while peasants and laborers suffered enormously. Even the right-leaning Hoover Institution of Stanford University published a book where [Bruce Michael Bagley concluded](#) that "subordinate ethnic (Indians, Blacks) and class (peasants, rural workers, the urban poor, and segments of working and middle classes) groups" got shafted by Currie's eminently humane policy.

Such oppression and exploitation inevitably led to a violent reaction. Two idealistic organizations emerged, both of them finding inspiration in the bearded prophet Karl

Marx: Ejército de Liberación Nacional (ELN) and FARC. Their goal was to fight the good fight for land reform and greater equality. However, guerrillas like philosophers need to eat. They also need to buy guns to fight their good fights. Both FARC and ELN degenerated into armed gangs that lived off extortion and trafficking narcotics. As they tasted power, the guerrillas proved only too human. They shed blood, often gratuitously, and acquired wealth, not infrequently with much cupidity.

Colombia has since been caught in the crossfire between men in guns offering either order or revolution. All parties to the conflict have their hands soaked in blood. As a result, the peace talks that began in November 2012 in the Cuban capital Havana were protracted, tortuous and charged. After all, if Colombia was not such a deeply polarized country, it would not have experienced so much civil war.

As mentioned earlier, the charge against the peace deal was led by Uribe. This is the man who decimated FARC when he was president and, in some ways, paved the path for the Havana talks. For Uribe, FARC's political participation and amnesty from justice were thin red lines that he was unwilling to allow his country to cross. For him as for many others, this was not a fair peace. This was peace at all costs. Even as erstwhile rivals such as Cuba and the US were [cheering the deal](#) on, many Colombians could not swallow it.

Of course, in such stories the political and the personal are often intertwined. Uribe has a ferocious rivalry with Colombian President Juan Manuel Santos, who not too long ago was Uribe's defense minister. It was under Uribe that Santos directed military firepower against FARC, [shrinking their numbers from 20,000 to 7,000](#). Santos waltzing off as a peacemaking statesman might have been too much for Uribe to bear.

The referendum demonstrated that Colombia is deeply divided about the peace deal. Charged discussions in media and social media were proof of the fact that emotions were running high. The result was "a damn close-run thing" and, like Brexit, weather might have played a part. The coasts and outlying provinces voted for the peace deal, while those inland and nearer the capital voted against it. Rain lashed the coasts though, lowering voter turnout there. In fact, this author was informed by Colombian friends glued to the news that turnout in the entire country itself was a measly 38%. These factors certainly influenced the referendum result.

Other factors might have played a role too. Taxi drivers furious with Uber [threatened to vote against the peace deal](#). Colombia is a deeply devout Catholic country that has centuries of prejudice against homosexuality. In April, the country's highest court gave [same-sex couples the right to marry](#). Santos [supports same-sex marriage](#) and Gina Parody, the minister of education, is openly lesbian. She has been in hot water over [issues pertaining to la identidad de género—gender identity—and sexual orientation](#). A handbook that she was championing attracted the ire of many conservative voters.

Many conservative voters see Santos and Parody threatening the sanctity of the family. They are horrified at the mention of lesbian, gay and transgender communities. For them, conflating Marxists like FARC with lesbians like Parody was not that big a leap. They might have voted against the peace deal simply in protest. In any case, Santos' had dismal approval ratings and was deeply unpopular in the face of a sluggish economy and a lack of jobs. This made a protest vote highly probable.

Interestingly, [opinion polls got the referendum completely wrong](#). The media was disconnected from ground realities as well. Few saw the result coming and the rejection of the peace deal has sent shockwaves domestically as well as internationally. So, what changes now?

The answer is not much. First, the referendum choices might have been binary but the result is not. No one seems to be in a hurry to go back to war. Both FARC and the Santos government are likely to digest the results and try to push for a deal if not this one. Second, the shock referendum result adds to Colombia's economic uncertainty. A [tax reform](#) is in the offing as oil revenues have fallen. Its future might be in question. The peace dividend and US President Barack Obama's promised [Paz Colombia](#) \$450 million assistance are also up in the air. However, the uncertainty is unwelcome but it not debilitating.

Colombia's referendum result poses one big question though. Are referendums the right way to decide emotive issues, especially pertaining to peace?

The democratic answer is an unqualified yes. However, if people do not understand the complexity of a deal, if passion runs too high, if the people in power are too unpopular, if demagogues take center stage, if not too many show up to vote, and if

victory or defeat is an impostor with a razor thin majority in a deeply divided society, then are referendums necessarily the best way forward?

\*Available online at [Fair Observer](#)



# Donald Trump is the Ultimate Ugly American

October 9, 2016

*Trump is a dangerous demagogue who presents an unprecedented threat to American democracy and deserves to be consigned to the dustbin of history.*

For a man who likes his women [young, slim and pretty](#), Donald Trump, to use a phrase from this author's officer days, is an "old, fat and ugly bastard." Even the rather beatific Dalai Lama could not help laughing about [Trump's ghastly hair and small mouth that never shuts up](#). If the rest of us had the same equanimity as the old monk, then we could laugh off the absurdity of Trump.

Sadly, Trump is no longer a laughing matter for those who do not have extraordinary Buddhist detachment. He is now a bigger American supervillain than [the Joker](#). Trump is a coarse thug, a cowardly bully and a compulsive liar who deserves prison instead of the presidency.

The reader could do well to remember that this author has never been enamored of the Clintons. The September 18 edition of [The World This Week](#) chronicled the hypocrisy, deceit and opportunism of the Clintons in some detail. It is indubitably true that the Clintons skirt close to the law and have a rather tenuous relationship with the truth.

What most people detest even more is that the slick mythmaking of the Clintons is at deep odds with painfully uncomfortable realities. For instance, even as Bill Clinton was being acclaimed as [the first black president](#), he signed into law the Violent Crime Control and Law Enforcement Act in 1994. [This 356-page act granted \\$9.7 billion for](#)

[prisons](#) and has led to a prison industrial complex, which now locks up one in three black men at least once during their lifetimes. More recently, [Hillary Clinton's leaked speeches to the Wall Street](#) elite make a mockery of the claims that she represents the working class. Tellingly, *The New York Times* reports that the Clintons "[have made more than \\$120 million in speeches to Wall Street and special interests](#)" since 2001.

The Clintons form a dynasty that is increasingly out of touch with the new realities of the 21<sup>st</sup> century. They have been in power for too long, are beholden to too many vested interests and lack fresh ideas. Yet for all her faults, Hillary Clinton is a better candidate than Donald Trump by a mile and more. This is not so much because of her ability or accomplishments. It is because Trump is a fatally flawed candidate who, in the words of an Alabama newspaper that fondly remembers Ronald Reagan, is [downright dangerous and simply](#) "unfit to lead" the United States of America.

The reasons many Americans support Trump are varied. Some assume that this billionaire celebrity-in-chief has run successful businesses and will run the country similarly. As per this narrative, the country is in ruin. It has [mountains of debt](#) that it cannot afford to pay back. Industry is in decline, jobs have fled overseas and people are struggling to make ends meet. Government is strangling businesses with tax and regulation. Obamacare is a disaster. The elites are corrupt, incompetent and arrogant. A decisive and competent chief executive officer (CEO) is what the country needs.

Now, there is much truth to the argument that the US is facing intractable problems. In the May 1 edition of [The World This Week](#), this author argued that "growing partisanship, gerrymandering, increasing inequality, burgeoning amounts of money in politics and tightening control of media in the hands of a few corporations" have led to terrible consequences in the land of Uncle Sam. However, the key question is whether a CEO—and, in particular, a billionaire CEO—is the right man for the job.

The truth is that CEOs are little dictators. Some can be "[insanely great](#)" like the late Steve Jobs. However, they can also be ruthless and controlling à la Jobs. [Parking cars in places meant for handicapped people](#) and [denying paternity of their daughter](#) can be par for the course. More importantly, CEOs are monomaniacs who focus on just one goal: profit maximization. After all, Enron was run by "[the smartest guys in the room](#)" who came out of Harvard Business School.

There is another little matter. If underpaid and overworked [employees of Foxconn commit suicide](#) creating fancy iPhones, that is not the Apple CEO's problem. If mining companies ruin the environment to supply metals for iPads, that is immaterial for the Apple CEO. Interestingly, [like lunch, taxes are for wimps](#). All that matters is the success of Apple products, rising sales, soaring profits and increasing share prices. Those who ran the British East India Company would approve heartily. So would Trump who prides himself on [shortchanging his contractors](#), being [smart enough not to pay taxes](#) and for [filing bankruptcies for personal gain](#).

The idea that a successful CEO is the right person to run a country is downright ridiculous. Some CEOs can be decent political leaders, but democracy is all about people functioning collectively. It involves institutions, laws, customs and, above all, values. Individuals and interest groups in societies often have divergent and conflicting interests. Managing conflicts and balancing interests is an essential part of leading a nation. A nation in crisis needs better discourse, creative ideas and civic participation—not another [decider-in-chief](#). Besides, a micromanager like Steve Jobs runs the risk of turning into a Joseph Stalin. Thankfully, Trump is not a tenth as capable as Jobs and is more likely to be a Benito Mussolini, but that is scant consolation.

This slavish celebration of CEOs is only a manifestation of the far more perverse [Americano cult of success](#). It is best summed up in that iconic Louis Jordan song, "[If You Are So Smart, How Come You Ain't Rich?](#)" Anyone rich is deemed smart in this country and anyone *sans* Mammon lacks intelligence. By that logic, Thomas Jefferson was not that smart because [he died deep in debt](#). Therefore, the author of the Declaration of Independence did not deserve to be president. By contrast, the rich Donald Trump is just the right man to "make America great again."

Since Trump predicates his claim to the presidency on his track record of success, it is important to note that he has not exactly been as successful as he claims. *Forbes*, a magazine that is in the wealth estimation business, reported that Trump "[magnifies his assets, overlooks his liabilities and obscures his ownership stakes to arrive at sky-high valuations](#)." In 2006, Trump sued a journalist who estimated his worth to be \$150-\$250 million and, in a 2007 deposition, famously declared that his net worth fluctuates "with markets and with attitudes and with feelings, even my own feelings."

Assuming smartness equaled richness, Bill Gates, Warren Buffet and Mark Zuckerberg are better candidates to be president. Michael Bloomberg is another obvious candidate

with experience in government. Compared to Gates, Buffet, Zuckerberg and Bloomberg, Trump has not been that smart. The magazine *Rolling Stone* has catalogued [Trump's multiple business failures](#), with Trump University perhaps taking the cake. This so-called university failed because it was “so bad” that people felt they were being ripped off by a con artist. As *The Washington Post* uncovers, this for-profit university was [a predatory venture that preyed on the vulnerable](#) in a manner that was almost [downright fraudulent](#).

Trump's business ventures include the Miss Universe Organization, which is a business that profits from commodifying the bodies of young, slim and pretty women. Trump himself once said that when he bought the organization, “[the bathing suits got smaller and the heels got higher and the ratings went up](#).” It turns out that Trump not only made money by exploiting impressionable young women, but he also [sexually assaulted](#) them. [In a 2005 video](#) that was released recently, Trump gleefully crowed about his conquests, “When you're a star, they let you do it. You can do anything. Grab them by the pussy. You can do anything.”

God-fearing Republican leaders are finally feigning outrage, but this is sanctimonious dishonesty at its finest. Trump's record of lying, bullying and exploiting women is common knowledge. On May 14, *The New York Times* chronicled Trump's [predatory behavior with numerous women](#). In fact, Trump is a hero to misogynist pick-up artists, one of whom aptly declares that “[a vote for Trump is a vote for self-preservation](#).”

In a story on May 14, *The New York Times* chronicled the billionaire's reputation as a “[ladies' man](#)” since his boarding school days. Moreover, unlike a gentleman, Trump likes to kiss and tell. On September 18, this author pointed out how [Trump brags about](#) his “experiences with women, often seemingly very happily married and important women.” Yet the party of family values that opposes abortion and millions of American voters march on under the spell of this portly and pathetic Pied Piper.

Why? Some of this author's acquaintances, including tenured professors at the famous Wharton School of the University of Pennsylvania and PhDs from the fabled Stanford University, take the moral relativism argument. On September 18, this author outlined [some reasons why many decent Americans are voting for Trump](#). They say the political class is incestuous and corrupt. Even among such crooks, Bill and Hillary Clinton are the worst of the lot. So, a boorish outsider like Trump is the perfect person to clean up the Augean stables of Washington, DC.

This is shortsighted and self-serving delusion. This author continues to hold that “Trump personifies all that he rails against.” He is a spoilt rich brat who was born into wealth and has used his political connections shamelessly. Not too long ago, he was quite chummy with the Clintons. In fact, Trump is the ultimate insider who was born with a silver spoon in his mouth.

When it comes to Trump, the moral relativism argument no longer holds water. Yes, most human beings, including this author, are flawed human beings. We do or say things in private that are not quite proper. We suffer lapses in judgment. We make mistakes. Yet there are limits to bad behavior. Generally, killing babies and assaulting women are unacceptable in most societies. Boasting about doing so even in private evokes disgust. The world is imperfect. Many French presidents are known for their mistresses, some African leaders for their multiple wives and a few American politicians for their steamy affairs, but no politician in recent memory has as yet been as uncouth, uncultured and uncivilized as Trump.

The fact that Trump still has supporters demonstrates something rotten in American society. In the US, the girl child might not suffer from [selective abortion as in India or China](#), but she is socialized in a pernicious culture of Barbie dolls and Hollywood stars. Maria Alejandra Osorio, a Colombian who studied on a scholarship in Yale, believes that women in the US can sometimes be more vulnerable than those in many traditional societies. Her logic is that because women supposedly have liberty, they have less protection. Furthermore, the veneration for the mother figure in cultures like Latin America or South Asia gets thrown out of the window.

Osorio takes the view that Trump and his comments are representative of and not outliers in American culture. Even as political correctness has come to rule the roost, there has been a corresponding coarsening of culture in the land of [Manifest Destiny](#). Interestingly, Trump dismisses his comments as “locker room banter” and [many like Rudy Giuliani](#) agree with him. After all, the US is the country that has skimpily clad cheerleaders jumping up and down before macho men hurl themselves into each other in that wonderfully edifying game of American football. It is also the land of Kim Kardashian where, according to some, “[moral, spiritual and cultural decay](#)” is [killing the nation](#). Is it then a surprise that Trump, [another unsavory reality television star](#) and [a scam artist who even steals from his own charity](#), is now aspiring to an office once held by Abraham Lincoln?

In the rest of the world, real football is not kicked off by nubile women performing titillating acrobatics. Furthermore, athletes or jocks, as the Americans term them, often get away with rape as [the infamous but underreported recent case involving a Stanford swimmer](#) demonstrates. Osorio argues that far too many American men end up disrespecting women, often unintentionally and unconsciously.

Despite American penchant for preaching to the rest of the world on human rights, the US is no Scandinavia. Culturally, it is a developing country without malaria where [one in five women report experiencing sexual assault](#) and one in four report beatings by an intimate partner. Trump personifies the worst of American violent sexism and perpetuates it.

This author has long maintained that [Trump has a point](#). Some of the issues he raises are real. Globalization has led to both winners and losers. The former have been selfish and not compensated the later. Washington, DC is broken. Even Trump's mad rants against political correctness have an element of truth. Yet Trump has made a habit of saying one outlandish thing after another and doing things that are unacceptable in most democracies. This narcissist inflames passions but offers no solutions to any of his nation's longstanding problems.

Trump has declared that he is [willing to kill families of terrorists](#), which is a war crime and goes far beyond the torture that cronies of George W. Bush and Dick Cheney advocated. In the resonant words of the Americano Caligula, [Mexican immigrants are rapists](#) and he will build a wall to keep them out. Of course, Mexico will pay for it. [Trump's love for Muslims](#) is far too well documented to even bear repeating. Most fittingly, this chubby tycoon with terrible skin has proved notoriously thin-skinned and has [blacklisted numerous news organizations](#) that have the temerity to hold his feet to the fire. Note that this preening progeny of privilege has no record of public service and [dishonorably wriggled out of serving in the military during the Vietnam War](#) on the spurious grounds "of bone spurs in his heels."

One could go on but there is just one simple reason that Trump must not be president: He is a unique and unprecedented threat to American democracy.

Clinton may be hypocritical and may skirt close to the law, but Trump is a domineering rich bully who has most likely broken the law and gotten away with it so far. This lying

braggart has a [worrying fascination with Russian President Vladimir Putin](#), a modern day tsar who [rides horses bare chested](#), rules autocratically and dips his hands in blood with chilling sangfroid. Unlike Putin, Trump is a draft-dodging flabby celebrity with little idea of geography or history and even less of geopolitics or the global economy. He can rant and rave but not think or lead. The Kremlin will run rings around him and inspire him to be a *petit* Putin.

American institutions are far more fragile than most people think. [Executive privilege has expanded dangerously](#) since the presidency of “Slick Willie” Bill Clinton. Both George W. Bush and Barack Obama have led administrations that [eavesdrop](#) enthusiastically and [prosecute whistle blowers](#) forcefully. Trump is already [threatening his opponents](#) such as Jeff Bezos, the CEO of Amazon and the owner of *The Washington Post*, with presidential retribution long before ascending the throne. Trump’s [3am rants on Twitter against former beauty queens](#) attract attention, but his mafioso-style promises of vendetta against those who criticize him are a far more sinister.

Democracy is all about trust in electoral processes and peaceful transfers of power. Already, trust in the US is at an all-time low. Many Americans believe that global warming and climate change are conspiracies by the liberal media, big banks and politicians like the Clintons. Now, Trump is poisoning American discourse and democracy with yet another toxin. He is casting doubts on elections themselves. On August 18, Trump declared, [“the only way we can lose, in my opinion, I really mean this, Pennsylvania, is if cheating goes on.”](#) This is stark raving mad. It is a selfish, deceitful and disgraceful subversion of democracy.

As if this was not enough, the unstable and irresponsible Trump has gone on to suggest that [“his supporters could stop his rival Hillary Clinton by exercising their gun rights.”](#) Unsurprisingly, the [former Ku Klux Klan leader David Duke supports Trump](#). Even if this fearmongering braggart were to lose, [right-wing extremists instead of Islamist terrorists](#) might unleash violence in the US. If nothing else, this should set alarm bells ringing for Americans.

Trump is a dangerous demagogue who presents a grave threat to the political system, the economic prospects and the social fabric of the US. Come November 8, voters must consign the fat fool and the ugly American named Donald Trump to the dustbin of

history. Hillary Clinton is far from perfect, but Americans have no choice but to vote for her to save their democracy.

\*Available online at [Fair Observer](#)



# Thai King's Death Raises Royal Question

October 16, 2016

*With the death of the old king, time might be running out for Thailand's anachronistic, regressive and repressive monarchy.*

This was a week of much upheaval. Even as the [pound continued to tumble](#), tragedy struck Haiti. Hurricane Matthew killed over 1,000 people in the town of Jérémie. In contrast, the hurricane did not cause much damage in Cuba. In Fidel Castro's land, the communist regime takes effective preventive measures that even [The Economist](#), a lover of free markets and a limited state, commends.

These events were significant but the key development this week was the death of Thailand's King Bhumibol Adulyadej, the world's longest-reigning monarch. The 88-year-old died after occupying the throne for 70 years. Many Thais considered him semi-divine and have treated him for decades like a virtual god.

In the August 14 edition of [The World This Week](#), this author examined the class and regional divisions that threaten to tear Thailand apart. For the last few years, the country has been "going through a protracted political crisis." On one side are the royalists, the "yellow-shirts," who are supported by urbanized, middle-class citizens and established elites in southern Thailand. On the other side are the "red-shirts," who hail from the rural northern and eastern parts of the country.

The yellow-shirts have been firmly in the saddle since 2014 when General Prayuth Chan-ocha, the current prime minister, conducted Thailand's 12<sup>th</sup> coup since 1932.

Prayuth deposed Yingluck Shinawatra, the sister of the tycoon Thaksin Shinawatra, who was then prime minister. As this author pointed out, Thaksin is a populist *arriviste* who has challenged the cult of the king. With Bhumibol gone, this cult will be harder to sustain.

The late king represented the conundrums of modern life where the democratization of pop culture sits alongside veneration for kings and queens. Thailand's veneration of Bhumibol is incongruous because this rather Westernized king had little in common with his people. Born in Cambridge when his father was studying at Harvard, Bhumibol was educated in Switzerland and met his wife in Paris where she was training to be a concert pianist. When the late king was still a child, the 1932 Siamese revolution took away the absolute power of the monarchy, making it a largely ceremonial and constitutional institution. Then, [\*The Economist\*](#) compared this revolution to the [Young Turk Revolution of 1908](#).

Instead of the royals sailing off into the setting sun in a fancy yacht, Thailand experienced the great comeback of the monarchy. Bhumibol came to power after the mysterious murder of his brother in 1946, which was never investigated properly. Thereafter, he worked hard to woo his subjects. He presided over countless social functions and traveled incessantly. Bhumibol showed up even in remote rural areas, often with a camera slung around his neck. The king, his ambitious courtiers and his propagandists worked tirelessly to create a formidable personality cult, making Bhumibol a symbol of national identity.

The Cold War came as a godsend for the Thai monarchy. As Phimmasone Michael Rattanasengchanh outlined in 2012, the United States "[played an important role in welding the military and the monarchy together as allies](#)." Defeat and disgrace in Vietnam made the US back its ally to the hilt. Uncle Sam and the Central Intelligence Agency (CIA) saw Bhumibol as a bulwark against communism and helped restore the monarchy to center stage after two decades on the sidelines. From now on, the monarchy was no longer ceremonial. It was the defining feature of Thailand.

Bhumibol proved to be a canny operator. He managed to seduce both elites and many in the masses to buy into a society purportedly based on order, hierarchy and religion. In reality, the disparate people at the margins of the Thai state continued to suffer from oppression, corruption and poverty. The Thai military crushed the Malay-Muslim insurgency of the 1950s and the peasant revolts of the 1970s with an iron fist.

Meanwhile, the king pretended to be above politics but kept meddling behind the scenes and invariably favored the military, “[tacitly supporting coup after coup.](#)” Bhumibol never quite forgot the Marxist adage that power flows from the barrel of a gun. He also remembered an age-old royal trick: Divine pretensions tend to make kings more powerful.

Bhumibol, his courtiers and cronies made billions as Thailand’s economy boomed. The royal family now owns a colossal amount of wealth. It has woven a web of patronage across a wide spectrum of Thai society and has a large section of [the media operating as its propaganda arm.](#) As if this was not enough, [draconian lèse-majesté laws](#) make even mild criticism of the royal family impossible. This author has [pointed out earlier](#) how these laws are vague, how proceedings are held in secret and how penalties are disproportionate. In fact, the deified royalty and oppressive laws make debate and discussion impossible. They are key reasons of why Thai politics is still pre-modern and trapped in the past.

Now that the venerated king is dead, turmoil will certainly hit Thailand. Maha Vajiralongkorn, the former crown prince and the new king, is not a popular chap. *The Japan Times* has called him a “[polygamous and indulgent](#)” figure who is intimidating and lacks interests in public engagements. Maha’s [reputation for debauchery](#) makes it hard for the palace coterie to pass the new king off as divine. To add to the woes of monarchists, their new big boss was caught in a [2007 video with his then wife in high heels and a G-string](#) eating a lavish meal and petting a posh poodle. Pathetically, this poodle held the rank of an air chief marshal and this fact might not go down too well in the year 2016.

Spoilt rich kids are not new phenomena on the planet. Most dynasties go soft after a few decades or centuries in power. Eventually, they are toppled from power if they do not graduate to shaking hands and waving to large crowds as ceremonial monarchs. What makes the situation in Thailand explosive is the ongoing clash between entrenched Bangkok elites that have hidden behind the sanctity of the king and the *nouveau riche* Shinawatra clan that is intent on having its day in the sun. Sooner rather than later, this powder keg will explode.

With Bhumibol dead, the useful smokescreen of a semi-divine king has vanished. His dissolute son commands little respect of either elites or the masses. Curiously, the role of the king is not clearly defined in the country’s constitution. This might have worked

well under canny Bhumibol who conducted a [“monarchist power grab.”](#) Now, it is likely to cause confusion. Furthermore, many are likely to raise the age-old question: Does Thailand or any other country need a monarchy?

The immediate and instinctive answer to that question is not really. One of the first things children start saying happens to be that pithy remark, “that’s not fair.” This idea of fairness or lack of it applies to monarchy in particular. Human beings have fought long and hard for democracy and meritocracy. These are ideals that modern societies hold dear. Besides, democracy has turned out to be the least-bad form of government so far and meritocracy has generally proven to be a good idea for a pretty long time.

In the context of Thailand where [0.1% of the population owns nearly half of the nation’s wealth](#), the country might be better off without a monarchy. As per a [2012 Forbes article](#), that might give Thailand \$30 billion of the royal family’s wealth, which could be invested in education, health care or any other long-term asset. It might just chip away at Thailand’s horrendously ossified and stratified social structure as well.

Many argue that monarchy still has a role even in the modern world. They point out that tradition is a jolly good thing. Queen Elizabeth II and other monarchs connect a nation to its past and provide a symbol of collective identity. They are also of the view that a monarch ends up keeping a healthy check on charismatic elected leaders. As Sir Mark Tully, [the 80-year old retired BBC legend](#), once remarked to this author, “having the queen is not so bad, imagine President Tony Blair or President David Cameron.”

There is more than an element of truth to this argument. In the presidential form of government, elected leaders are not only in charge of the government but also head of state. When this happens, the press treats them with greater reverence and does not hold their feet to the fire. For instance, American and French presidents get an easier pass than British or Danish prime ministers. No one grilled George W. Bush in the same manner as [Jeremy Paxman interrogated Tony Blair on Iraq](#).

In the case of Thailand, this argument does not entirely hold because it is ruled by a military junta that has the blessings of the royal palace. No one in power is questioned anyway. Even the Shinawatras are a mini royal family in the making with large fortunes and clever populism forming the basis of their political power. Doing away with the

current monarchy might just see another one taking its place because the society is still monarchical.

Yet another argument in favor of monarchy is persuasive, particularly in the United Kingdom. It keeps politics out of the highest office of the land. Even republics with a parliamentary system such as India and Germany have not been able to keep politics out of the presidential elections. In India, the president is not quite above party matters unlike the British queen.

Those who like Thailand's monarchy might make the claim that an elected but ceremonial president might end up being a front for either the old establishment or the Shinawatra clan, depending on who has the upper hand in Thailand's perpetual power struggle. The trouble with this argument is that it assumes a ceremonial monarch à la Sweden or Denmark. This assumption is wrong. It is an open secret that Thailand's current monarchy is definitely not above politics.

As numerous journalists and intelligence operatives have detailed over last few decades, Bhumibol pulled the strings behind the scenes, exploited his semi-divine status and used the power of his purse to rule the roost in Thailand. His son and successor is likely to have power without responsibility. Assuming that he is too dissolute to use that power, it is unlikely that palace officials who have tasted blood will give up pelf and patronage. More importantly, the likes of Prayuth, the current prime minister, are likely to use the cover of the monarchy for a concerted power grab as they feel more insecure in a post-Bhumibol world.

In light of the above, a republic with an elected president at the helm makes more sense for Thailand in the long run.

Despite the genuine grief that enveloped large sections of Thai society on the death of Bhumibol, the Chakri dynasty might finally be running out of time. Like innumerable other dynasties, this rich and powerful family has sipped too long from the poisoned chalice of success. Bhumibol's heirs are certainly not worthy, even if they may not be entirely worthless.

Besides, this bitterly divided country has been locked into a brutal power struggle that is tearing apart its soul. Meanwhile, the Malay-Muslim insurgency has resurfaced and claimed more than 6,000 lives over the last 12 years. Thailand needs fresh thinking

and new institutions to tackle the inequities and strife that blight this idyllic land. With the old king dead, it is perhaps time for the rest of the royals to sail off into the sunset.

\*Available online at [Fair Observer](#)



# Philippines Spurns the US to Flirt with China

October 23, 2016

*Chinese investors, importers and tourists are seducing the most loyal Asian ally of the US, putting Obama's Asia Pivot at risk.*

This week, Russian President Vladimir [Putin visited Germany](#) for the first time since 2014. Relations with the United States and other European powers have been rather chilly since then because of conflict in East Ukraine. German Chancellor Angela Merkel hosted Putin along with leaders of France and Ukraine to seek a peaceful solution of the [Ukrainian crisis](#). Apparently, they also discussed Syria and were [slightly optimistic](#) at the end of the diplomatic powwow.

Across the Atlantic, Donald Trump did not share the optimism. At the [final presidential debate](#) in Las Vegas, he said that he might not accept the result of the election. He also called the media dishonest and corrupt. He accused Hillary Clinton of being the same and called her “a nasty woman.” The tenor and substance of the debate was dreadful. It was not the best advertisement for the Americano model of democracy.

Even as Putin was parlaying in Berlin and Trump was holding center stage in Las Vegas, Philippine President Rodrigo Duterte arrived in China for a state visit. Chinese President [Xi Jinping lauded Duterte's “milestone” visit](#). During the trip, the two leaders discussed how to boost trade and defuse a bitter row over islands in the South China Sea. They agreed upon a “settlement through bilateral dialogue.”

The agreement was a major step forward for the two countries. On July 12, [an international tribunal](#) rejected China's claims and sided with the Philippines. After promising to personally retake the Spratly Islands, swashbuckling Duterte has been seeking reconciliation with the Asian giant. His relationship with the US has been fraying and the Philippine leader is looking for new friends.

The Philippines has long been a loyal ally of the US. Only in March, the Philippines and the US signed a new agreement, "clearing the way for a new [permanent American military presence](#) across five bases." This was part of Barack Obama's Asia Pivot that the May 29 edition of [The World This Week](#) analyzed in some detail. The US president seeks to shift focus to Asia from the Middle East and "manage the rise of China." Having troops close by to defend the South China Sea against the Middle Kingdom is an essential part of the Asia Pivot.

For the US, it was business as usual until Duterte won the presidential elections in May. [Maverick Duterte](#) has a strongman image and a controversial record. He is known for his colorful remarks. In this strongly Catholic former Spanish colony, he even had harsh words for the pontiff, "[Pope, son of a whore, go home. Do not visit us again.](#)" More worryingly, he promised to kill thousands of drug dealers and criminals. The Obama administration was deeply uncomfortable with Duterte, and his victory put relations between the two countries into uncharted territory.

Since 1898, the US has enjoyed the loyalty of comprador elites in Philippines just as in Latin America. That year, the [US gobbled up the Philippines](#) after a war with Spain over Cuba. It also took over Puerto Rico and Guam thanks to that war. Uncle Sam crushed the native rebellion in the brutal three-year Philippine-American war that lasted from 1899 to 1902. From now on, English became the official language of the country and Philippine elites flocked to the US instead of Spain to learn Anglo-Saxon capitalism and American-style democracy. The war compelled good old Mark Twain to issue an [immortal mea culpa](#): "We have robbed a trusting friend of his land and his liberty; we have invited clean young men to shoulder a discredited musket and do bandit's work under a flag which bandits have been accustomed to fear, not to follow; we have debauched America's honor and blackened her face before the world."

Despite Twain's misgivings, the Philippines turned out to be a valuable asset for the US. In due course, the Japanese invasion of the island nation bolstered American standing. The cruelty and brutality of Japanese troops made the Philippines value the

alliance with Uncle Sam. Independence in 1946 was followed by client status during the Cold War. Unsurprisingly, Philippine servicemen served alongside American troops both in [Korea](#) and [Vietnam](#). Of late, fears of China have made the Philippines insure for its safety by turning to the US.

Given Duterte's rhetoric against China in the election campaign, it seemed unlikely that the Philippine relationship with the US would turn sour so fast and the country would seek solace in China's arms. What's going on?

First, Duterte is singing a new tune because the Philippines needs cash. [Foreign investors have been fleeing](#) the country. They have pulled out an estimated \$58 billion from the stock markets. Credit rating agencies have downgraded Philippine debt. Although Duterte's rhetoric has [lowered investor confidence](#), the fact that his country issues bonds denominated in US dollars has not helped. The possible rise of interest rates in the US has played havoc with Philippine finances.

Besides, winning in court against China has cost the Philippines dearly. Four years ago, Chinese ships pushed out Philippine vessels from the Scarborough Shoal. The Philippines responded by filing a case against its bigger neighbor. China retaliated by encouraging its investors, importers or tourists to boycott the Philippines. This hurt the Philippine economy, but Uncle Sam did not dole out any cash to ease the pain. With foreign capital fleeing its shores, the Philippines needs Chinese money more than ever.

[Bloomberg](#) reports that Duterte's China visit led to \$24 billion of funding and investment pledges. Of these, \$9 billion will be in the form of soft loans, while the remaining \$15 billion will take the form of long-term investments. China will invest in steel plants, railways, ports and more. It is a playbook that the [Middle Kingdom has used in Africa](#) in the recent past. The Philippines desperately needs better infrastructure, and Chinese investment could not have come at a more opportune time.

Second, economic currents are pulling this island country closer to the Middle Kingdom. As per the [Office of the US Trade Representative](#), Uncle Sam and the Philippines "have had a very close trade relationship for more than a hundred years." The US remains an important trading partner for sure, but it now ranks third after China and Japan. In 2015, Philippine exports to China totaled [\\$16.2 billion](#) and boosting them could generate thousands of jobs.

The Chinese have already promised to increase imports of bananas, pineapples and mangoes from the Philippines. Chinese tourists are also likely to pour in, earning the Philippines an estimated \$1 billion. Duterte's maternal grandfather was Chinese and he has gone to the Middle Kingdom with [more than 400 businessmen](#) in tow. His country produces commodities and has historically exported them to the Middle Kingdom. As the Chinese economy returns to the world stage after two centuries of slumber, no Philippine leader can afford to ignore its gravitational pull for long.

Third, the people of the Philippines have turned to an earthier politician that the US does not know how to deal with. This has given China a unique opportunity to step in. Duterte is not a part of the Manila jet set with an inferiority complex vis-à-vis the US. As mayor of the lawless southern town of Davao, Duterte crushed crime, ran an efficient administration and increased the prosperity of its inhabitants. In 22 years, he transformed his town. Bonifacio Tan, the president of the Davao Chamber of Commerce, credits Duterte for having the political will to clean up the place. Tan says, now "you can walk the streets, come home at night at 2.00 to 3.00 am in the morning and feel peaceful."

Obviously, Duterte fought crime with strong-arm methods. He was rather trigger-happy, earning the monikers "The Punisher" and "Duterte Harry." Duterte has talked of killing criminals and drug peddlers. When he learned that Obama would raise the issue of human rights with him, Duterte called the US president a "[son of a whore](#)." Obama canceled his meeting with Duterte, saying he preferred "constructive, productive conversations." Obama was right to be concerned about Duterte's brutal "war on drugs" and terrible human rights record. However, Obama failed to realize that Duterte Harry does not like to be told what to do and strongly believes that the sovereign Philippines "has long ceased to be a colony."

Duterte's combative personality is what a desperate nation has come to love. With over 25% of the population under the poverty line, Filipinos have reposed faith in crime-busting, tough-talking, action-oriented ways over plutocratic elites who line their coffers with public money and doff their cap to Uncle Sam. As per [Karishma Vaswani of the BBC](#), up to 80% of Philippine legislators could be "connected to political dynasties with vested interests" and "a handful of the families control almost all of the country's wealth." Duterte's election is a bit like a revolution and the US still has not figured out how to deal with it.

In any case, sanctimonious Uncle Sam fails to realize that, in former colonies, the law is invariably an ass. It is divorced from local realities and politicians are not quite adept at drafting decent legislation. Even the judiciary can be utterly incompetent if not horrendously corrupt. As the July 10 edition of [The World This Week](#) chronicled, the US itself does not do a great job when it comes to criminal justice. The militarization of its police leads to the deaths of many innocents. One in three black men end up in jail once in their lifetimes to feed the prison industrial complex. Yet America never tires of preaching the virtues of human rights to others. The trouble for the US is that the likes of Duterte have no appetite for its hypocritical preaching.

Duterte is a more complex character than the pale Manila elites the US has propped up for decades. He claims that he was [abused by a Catholic priest](#) during his childhood and, as the world knows, is not terribly fond of the pope. Unlike most other strongmen, Duterte wants constitutional change that transforms the Philippines from a [unitary to a federal form of government](#). He rightly argues that the country has inherited its highly-centralized unitary form of government from its colonial masters. Instead, Duterte wants the central government to focus on national security and foreign relations.

The strongman ironically takes the view that the rest of the country suffers due to the concentration of power and corruption in the national government. It is little surprise that millions flock to Manila to live off the “trickle down” economy in the national capital. [Federalism would liberate the regions](#) like his native Mindanao from Manila’s tyranny. It would also pave the way for competition between the regions, leading to better governance and higher economic growth. On federalism, Duterte is certainly right.

Duterte has a reflective side to him. He wants [conflict with Muslim extremists to end](#). He claims to be both Christian and Muslim, pointing out that half of his grandchildren are Muslim and his maternal grandmother was Moro, a member of the indigenous Muslim community. This man of mixed bloodlines broke down on his parents’ graves and [sobbed in front of cameras](#) saying, “Help me Mom, I’m just a nobody.” More pertinently for the US, this proud strongman resents his country’s colonial past and is clearly touchy.

This week, Duterte told Xi that “he wanted to cut the cord with the US and pivot to China and Russia.” In September, he said “he was not a fan of the Americans” and declared that he has [asked US Special Forces to leave](#) his native Mindanao. Duterte

blamed the US for the continuing violence in Mindanao. He also announced that he would “reorient” Philippine foreign policy and make it independent of Washington.

At the moment, [American forces are targeting Islamists like the Abu Sayyaf](#) group. Duterte has ordered more than 7,000 Philippine troops to the southern island of Jolo. It once belonged to the Sultanate of Sulu that held out against the Spanish for 300 years. It was Chinese traders who sold the Moros the arms to fight the Spanish. When the Americans took over from the Spanish, the recalcitrant Moros put up a jolly good fight and were crushed quite savagely. In his speech from the presidential palace, Duterte evoked those painful memories by waving black and white images of Moros that the Americans slaughtered in the early 1900s.

The US is still the global superpower, but it is overextended and running a touch ragged. Its former colony and closest Asian ally is flirting with the Middle Kingdom. The Philippines and China have traded with each other for centuries. Today, they are doing so again despite bitter border disputes. Culturally, the Philippines is still very much [an American colony](#), but Duterte is harking back to a rebel tradition and could seriously dent US hegemony in Southeast Asia.

*\*Available online at [Fair Observer](#)*



# Climate Change Matters and So Do Other Species

October 30, 2016

*Human beings can tackle climate change and save other species only if they realize that markets have limits and the purpose of life cannot be mere consumption.*

Lost amidst headlines this week was an alarming bit of news. The [Living Planet Report 2016](#) tells us that there has been an overall decline of 58% in vertebrate population sizes from 1970 to 2012. In other words, the populations of mammals, birds, reptiles, amphibians and fish have declined dramatically in the last 40 years. Of these,

freshwater populations have experienced the steepest decline, falling by an alarming 81%. This downward trend of declining populations demonstrates no signs of slowing down and portends catastrophic consequences.

The Living Planet Report is published every two years and provides an assessment of the state of the world's wildlife. The 2016 report measured trends in 14,152 monitored populations of 3,706 vertebrate species. Critics claim its data is flawed, but the report is still an impressive and exhaustive piece of work.

In the United States and India, the report was largely ignored. In France, Germany, Britain and much of Europe, the media did a decent job focusing on the issue. To some people's surprise, [China's state-controlled media paid a fair bit of attention to the report](#). This discourse on the dramatic fall in world wildlife populations tells us about the divergent levels of environmental consciousness in different societies.

Fractional large democracies like the US and India are far too caught up in relentless scandal, constant campaigns and myopic issues to care too much about the environment. In contrast, the smaller and more equitable democracies of Europe worry about the health of the planet. So do Chinese leaders who seem to be alarmed by [the toxic levels of pollution](#) caused by their three decades-long mad dash for growth.

The report is important because it is a wakeup call for humanity to change its ways. The human population has exploded this century and so has its consumption. Humanity is now demanding more than the planet can offer. The loss and degradation of habitat is the biggest reason for the decline in wildlife populations. Overexploitation is the second reason. The World Wildlife Fund (WWF) reports that "[unsustainable fishing practices are pushing many fish stocks to the point of collapse](#)." Hunting of animals as [in the case of lions](#) is wreaking havoc to their numbers. [Poaching](#) is a key reason for the dramatic fall in numbers of animals like [elephants](#) and [rhinoceroses](#).

Pollution, invasive species and [climate change](#) are three other reasons for the fall in wildlife populations. In brief, all reasons for the decimation of wildlife are human generated. As the report remarks, "humanity is demanding more than our planet can sustainably offer." It goes on to say that "we now need the equivalent of 1.6 earths to provide the natural resources and services we require at our current rate of consumption."

The spectacular success of the human species has proved to be a curse for others. Human numbers have skyrocketed over the millennia. [Yale Scientific](#) points out that the human population rose from 200 million in 1 AD to a billion in 1804. Since then, the number has taken off. By 1900, the human population had risen to 1.6 billion, [and this number crossed 2.5 billion by 1950](#). Today, this population is [approximately 7.5 billion](#). Even more remarkable than the rise in human numbers has been the increase in human consumptions. From hunter gatherers living off the land, human beings have turned into compulsive shoppers at giant supermarkets. Human greed has proven to be insatiable and other species have paid the price.

Not only are wildlife numbers plummeting, but the planet is in “[the midst of its sixth mass extinction of plants and animals](#).” Not since the dinosaurs died off 65 million years ago has the world seen such rates of extinction. Dozens of species are going extinct every day, and nearly 30-50% of all species are possibly heading toward extinction by 2050.

Past mass extinctions were caused by natural phenomena such as asteroid strikes, volcanic eruptions and natural climatic shifts. The current one is being caused by us—the lovely human beings. This author was recently in Kenya where the impact of rising population and increasing consumption is evident in its stark naked ugliness. In Nairobi, plastic litters the land, people burn rubbish everywhere and traffic jams fill the air with noxious fumes. Eldoret, a town in the fabled Rift Valley, faces similar issues and is not what it once was.

Bit by bit, human beings are decimating other species everywhere. Even the Amazon, one of the last remaining pieces of wilderness, is [disappearing fast](#) with 20% of the forest chopped down over the last 40 years. Other parts of the world are not doing much better. In 2015, [forest fires in Indonesia](#) reached an apogee. For a few months, the tiny country released more emissions per day than the US. Trees, animals and other species suffered incalculable damage as forests and the great domes of peat on which they sit grew caught fire. All this occurred to meet human demand for paper and palm oil. Of course, this environmental disaster was barely covered in the wonderfully sanctimonious land of Uncle Sam.

Such is the impact of the human species that the Holocene geological epoch has turned into the Anthropocene. Climate change has become real and tangible. Global warming is causing an unusually rapid increase in the earth’s temperatures. [NASA](#)

[estimates](#) that “the rate of temperature increase has nearly doubled in the last 50 years” and that “temperatures are certain to go up further.”

The cause for rising temperatures is well documented. Since the beginning of the Industrial Revolution, carbon dioxide levels have increased by nearly 38% as of 2009 and methane levels have gone up by 148%. According to NASA, “[the first six months of 2016 have been the warmest half-year on record.](#)” NASA went on to observe that “five of the first six months of 2016 also set records for the smallest respective monthly Arctic sea ice extent since consistent satellite records began in 1979.”

So, what are the implications of rising temperatures, [melting polar ice caps](#) and climate change in general?

The educational website for children of the [Environmental Protection Authority](#) (EPA) rather mildly states that “the negative effects [of climate change] are expected to outweigh the positive ones.” The EPA remarks that “some effects, like longer growing seasons for crops, might even be good!”

The EPA website is being more than disingenuous. It probably explains why the US neither cares nor does much to curb climate change. Most scientists estimate the potential consequences of climate change to be catastrophic. Rising sea levels are likely to submerge large swathes of territory, including the poor and populous country of Bangladesh that is facing disaster. A rather well researched story in *The New York Times* aptly described Bangladeshis as living on “[borrowed time on disappearing land.](#)”

Hurricanes, typhoons, storms, heatwaves, drought, heavy downpours, floods and other [extreme weather conditions](#) have become more frequent and increased in severity. [Spring and summer rains in parts of Ethiopia have declined by 15-20 %](#), negatively affecting crop yields and pasture conditions. Combine this with a rising population and the picture turns quite grim pretty quickly. Many other parts of the world are experiencing similar challenges. The specter of a dire [water crisis](#), increasing conflict, rising radicalization and growing numbers of refugees portends cataclysmic disaster. This is not even factoring in the potentially dire consequences of the loss of biodiversity, the possibility of the emergence of new diseases, and the disruption in the cycle of life that has evolved over millions of years.

After years of denial, indifference and inaction, leaders of international institutions, national governments and nongovernmental organizations have been trying to contain climate change in their own way. The Rio Convention of 1992 was followed by the Kyoto Protocol of 1997. Last year, the 2015 Paris Climate Conference, or COP 21, led to what the BBC called a landmark deal. Delegates from nearly 200 countries arrived at a [deal in Kigali, Rwanda, to end the use of hydrofluorocarbons](#). In about a week, the 22<sup>nd</sup> session of the Conference of the Parties ([COP 22](#)) will commence in Marrakech, Morocco. So far, these conferences have been unable to achieve anything significant and have limited themselves to spouting pious homilies.

Yet many see the zeitgeist changing. US President Barack Obama has been pushing his rather reluctant country to be less wasteful. Even Pope Francis, who represents an institution that has long opposed contraception and contributed to the current population explosion, has issued an encyclical lamenting the [harm human beings have inflicted upon the earth](#) by their irresponsible use and abuse of its resources. Even superficial and wasteful Hollywood is starting to pay attention. Leonardo DiCaprio has produced and anchored a [documentary on climate change](#) that is attracting attention.

Does that mean humanity will pull back from the brink as in a jolly good Hollywood blockbuster? The truth is that human beings are exceedingly clever apes but not necessarily wise ones. The species that is capable of conceiving the zero, composing Für Elise and creating space stations is also responsible for imposing the Inquisition, conducting multiple genocides and [poisoning the earth for gold](#).

Most celebrity leaders from Obama to DiCaprio are dancing around the 800-pound gorilla in the room. The wonderful global economic system with its interconnected trading screens of New York, London and Hong Kong has gone stark raving mad. In a 2015 talk, this author pointed out that [economics is not a science](#). In the last century and more, it has been treated as one even by dissidents like Karl Marx. The reality is that economists are just like priests, presiding over a theology on arbitrary assumptions. One of these is that *homo economicus* is supposed to make a mad dash for wealth. According to economists, the purpose of life is [maximizing utility](#), a wonderfully seductive idea first proposed by Jeremy Bentham. Given such a purpose, a competitive global marketplace is the best way to maximize demand and supply of goods and services.

In this system, investors want ever higher returns. They invest their capital in the most profitable companies. Managers run these companies to maximize profits. Investors use quarterly results to judge managers and ensure they are constantly performing. Managers work incessantly to increase profits by earning higher revenues and cutting costs. To sell stuff, they might have to advertise a touch disingenuously to their buyers, but that is “[mere puff](#)” and quite alright. Managers might also have to dump chemicals into a river or fire workers to cut costs, but that is par for the course.

In the US, for all of DiCaprio’s Hollywoodish meeting with the pope, there is a fanatical belief that there are no limits to markets. Even churches compete in the market for souls. Evangelical talk show hosts sell salvation with a *panache* that would make [Johann Tetzel](#), the infamous salesman of Indulgences who infuriated Martin Luther, a shrinking violet in comparison. They do not want children to learn about evolution and damn climate change as a conspiracy of elitist godless sinners.

Of all the high priests of the market, none has been more influential than Milton Friedman. Adviser to Ronald Reagan and Augusto Pinochet, he proposed the [privatization of collectively-owned assets](#) such as the post office and national parks. Friedman forgot what Adam Smith had not: “moral sentiments” underpin markets. If sellers cheated buyers and buyers did not pay sellers, then the market would collapse. Markets themselves need common measurement systems, property records, rule of law and much more.

Human beings are complicated creatures and societies are infernally complex. Friedman’s simplistic theology that provided a rallying point to Cold War warriors is past its sell by date. Today, climate change matters. Other species matter. Since the collapse of communism, human beings have been running away from the great moral questions of our time. They cannot continue to do so.

Every American woman who wants a diamond ring must ponder whether the blood and sweat spilled in Africa for that piece of fine carbon is worth it. Similarly, every Chinese man who wants tiger bones to improve his virility has to realize this involves the torturous death of a majestic member of an endangered species.

The energy we consume, the food we eat, the furniture we use and every act of modern living has an impact on the environment that is significant if not directly obvious. The consumerist society epitomized by DiCaprio’s Hollywood has to give way

to a more thoughtful one that rediscovers joy in experience and relations instead of mere transactions. To curb climate change and save other species, we have to turn away from consumerism. To use jargon from economics, the demand side of the equation must decline in value.

At the same time, supply has a big role to play. Elon Musk is part-right in focusing on batteries. If [African villages got their energy from the sun](#) and could save it in batteries, they would not need power plants. The market will not be able to supply all technologies alone. The uncertainties are too high and the time horizons too long. Investors will throw entrepreneurs and managers under the bus for failing to meet quarterly targets. In any case, returns are scarce in a world awash with capital and [the global economy in trouble](#).

At the same time, the world is facing long-term challenges. We need to plant more trees almost everywhere, dig ditches to harvest rainwater in arid areas, and fight poachers to protect species that are on the edge of extinction. These actions require big long-term bets that markets with their quarterly fixation and politicians with their eye on the next election are unwilling and unable to make. Perhaps it is time for a secular temple, mosque or church infused with the idea of a new citizenship. Humanity needs a new humanism where markets are not all and life is more than stuff.

\*Available online at [Fair Observer](#)



## High Court Throws a Googly at Brexit

November 6, 2016

*Brexit was always going to be tricky, but the High Court has made it trickier with a judgment that forces the British Parliament to decide on the issue.*

Just when the pound was plummeting and Brexit was in the air, the wise judges of the High Court threw a googly at British Prime Minister Theresa May. Now, those who have not been civilized by the British will not understand what this author is referring to.

A googly is a ball in the once gentlemanly game of cricket that swerves in one direction and unexpectedly turns in another.

Most observers had assumed that the process of Brexit would begin soon. May and her three gallant Brexiteers—Liam Fox, David Davis and Boris Johnson—seemed all set to divorce the European Union (EU). It turns out that they cannot do so until Parliament agrees. The High Court ruled that the government cannot leave the EU without the approval of Parliament.

The legal basis of the court's decision is exceedingly simple. The United Kingdom's membership of the EU is bound in the 1972 European Communities Act, and only Parliament has the right to repeal this primary legislation. Because of the UK's age-old doctrine of parliamentary sovereignty and representative democracy, the referendum on Brexit was merely advisory. Now, May has to get parliamentary approval to trigger Article 50 of the Lisbon Treaty and leave the EU.

Brexit has been a long-running saga in Britain. In the February 21 edition of [The World This Week](#), this author analyzed the UK's troubled marriage with the EU. Geography and culture link the UK to the continent, but politics has always pulled it to farther shores. Till 1947, the British Empire comprised a fifth of the globe. Richard the Lionheart might have traveled to Jerusalem to battle Salah ad-Din Yusuf ibn Ayyub—better known as Saladin for the pope and Christendom—but, as late as of the 1950s, 90% of letters from abroad came from the British Commonwealth, not mainland Europe.

The UK stayed out of the EU and only joined the club in 1975 at a time of oil shocks, inflation, unemployment, strikes and power cuts. Right from the outset, the EU divided both political parties. Initially, the Conservatives supported joining the EU while Labour opposed it. Later, Labour came around to the idea of life in the EU even as Conservatives turned against it.

The story of the growth of anti-EU sentiment is too well known to bear repeating here. Suffice to say, as Jacques Delors made the EU more *dirigiste*, Margaret Thatcher turned against the EU with a vengeance. The Iron Lady rejected "[a European super-state exercising a new dominance from Brussels](#)" and her acolytes picked up this refrain with aplomb.

When the pound crashed out of the European Exchange Rate in 1992, many expected doom and gloom. Instead, the British economy boomed thereafter. Those who wanted to break free from the vile grasp of bureaucrats in Brussels found their hands strengthened. The Conservative Party found itself in a state of civil war with those wanting to leave the EU eviscerating those who wanted to stay in. Even Labour found itself divided between Tony Blair who wanted to join the euro and Gordon Brown who decided the UK must stay out.

David Cameron became prime minister by smoothing over the cracks created by deep passions over the EU. The slick Etonian was able to waft through his first term in coalition with the Liberal Democrats without confronting Banquo's ghost, but he found a Hamletian dilemma engulf his government the moment his party got a full majority. Cameron is a witty Old Etonian who cut his teeth in the slick and slimy world of public relations. He elevated running with the hares and hunting with the hounds into an art. Some would say that this is a classic English trait. Unlike dour Scots, the English are not miserable Presbyterians. Good old Queen Elizabeth II is still the big boss of the Church of England even though no one believes the royals—least of all Prince Harry—have a hotline to God. The English fudge even their relationship to God. This is a land of tradition, of common sense and of the reasonable "[man on the Clapham omnibus](#)."

Not for the English, the Cartesian love of logic or the Kantian worship of reason; they are a people suspicious of overarching principles and prefer sound Benthamite judgment on the basis of the facts at hand. Now, sometimes this trait works splendidly well. At other times, the English manage to muddle through. Sometimes this does not quite work though and Cameron is a classic example.

*The Economist* aptly called Cameron "[the accidental Europhile](#)" because he had long played footsie with the euroskeptic wing in his party. In 2013, he rashly promised a Brexit referendum to win the support of this wing to stay on "the top of the greasy pole." The [bloke from the Bullingdon Club](#) declared that "disillusionment" with the EU was "at an all-time high." Therefore, he asked voters for a fresh mandate so he could negotiate a treaty change that would make the EU "diverse, competitive and democratically accountable." This relationship would have the single market at its heart and the British people would vote on it [in an in-out referendum](#).

Cameron duly won a second term, decimating both Labour and the Liberal Democrats. Now, without the shield of a coalition to hide under, he had to negotiate "a new

settlement” with his European partners as per his rather grand promise. Cameron rocked up in Brussels to negotiate a deal that purportedly gave the UK a “special status” in the EU. Needless to say, as this author pointed out on February 21, he “[won concessions far short of his claims](#).” It turns out that British voters concur.

In the memorable words of veteran foreign policy guru [Glenn Carle](#), Cameron “was, at best, the sorcerer’s apprentice.” Carle damned Cameron as “a shallow man, who will be known forever in history as the man who destroyed Great Britain, the EU, shook at the very least the foundations of Western civilization, and did so in a benighted effort to obtain political advantage.” He went on to say: “I think only an idiot or a charlatan invites a monster into the house to bring order to the rabble, believing ‘I can control him.’ It is stupid. No one can ever control almost anything, and one certainly should not give opportunities for civilization-wide destruction.”

Carle’s apocalyptic vision for the UK and the EU might not turn out to be true. What is certainly true is that Cameron, deemed “mendacious” by one of his former tutors at Oxford, has thrown the UK into the bubbling Brexit cauldron that shows no sign of simmering down.

For Brexit, the High Court decision is an important one. Parliamentary sovereignty is a big deal in the UK. Referendums are a new fashion in this old land. Cameron was hoping to dodge parliamentary debates and party strife by throwing the hot potato of EU membership to the electorate. The court has thrown it right back to the parliament. This leaves May and her Brexiteers with their knickers in a twist.

So, what are the implications of the High Court decision?

First, the decision adds to the legal, political and economic uncertainty in the UK and the EU. May’s government has announced that it will launch an appeal in the Supreme Court. If the court overturns the decision, May and her Brexiteers can stick to their March 2017 deadline to trigger Article 50. On the other hand, if the court upholds the decision, expect a bloody and brutal parliamentary debate.

Both the House of Commons and the House of Lords are full of members who are not jumping up and down in delirious delight at the prospects of quitting the EU. Furthermore, the cold water of the tumbling pound has chilled the raucous

enthusiasms of many who were rooting for Brexit. The whole situation is now a right royal mess.

Second, the court judgment indirectly raises a question about the results of referendums that are a close call. As of now, the court has deemed the vote merely advisory. A large number of voters opted to stay in the EU and their number might be growing. Buyer's remorse seems to be setting in and *The Economist* has cleverly written about the [after-Brexit Bregret](#). The wily Europhile Blair is calling for a second referendum, which is infuriating the tough as nails May. For now, the court ruling has energized the Europhiles.

Third, the judgment puts into stark focus May's vision for the UK. So far, May is merely trying to hold her bitter and divided party together. Thankfully for her, Labour has imploded and the Liberal Democrats are enfeebled. This makes her position secure. However, the EU excites primal passions among her Conservative tribesmen. These gentlemen present May with the unwelcome risk of swords unsheathing from their scabbards at the slightest provocation. Meanwhile, Nigel Farage of the United Kingdom Independence Party (UKIP) is playing a stellar role in rattling the tin drum tied to a dog's tail.

It now seems that the victory for Brexiteers was a result of a protest vote. Voters did not quite like the EU for all sorts of reasons: historic, philosophical, political, cultural and economic. Now that the vote is a *fait accompli*, they have to decide upon a course for the future. In the June 26 edition of [The World This Week](#), this author pointed out that UKIP's working class voters and Johnson's posh patricians want fundamentally different things. The devil lies in the details and support for Brexit might unravel as they appear. In any case, fundamental questions remain unanswered.

Is it going to be the devil-may-care [hard Brexit](#) with the UK setting sail into the high seas with the brio and braggadocio of privateers such as Francis Drake and Henry Morgan? In that case, the UK will have to rely on World Trade Organization (WTO) rules alone. The UK would then have to pay tariffs to export its goods and services to the EU. Its exporters would have to deal with the infamous EU bureaucracy even while complying with EU rules in order to sell to continental markets.

Or will it be the so-called "[soft Brexit](#)," whatever that means? Many bandy the example of Norway, Iceland and Lichtenstein as a model for the UK. According to this

conjecture, the country could continue to trade on a tariff-free basis with the EU. Of course, it would have to make payments into EU budgets. The UK would also have to accept the “four freedoms” of movement of goods, services, capital and people, one of which is [anathema to May](#) and her Brexiteers.

In any case, there is no guarantee that the EU will offer the UK the same deal it proffered the tiny countries mentioned above. Negotiations will be long and tough with pressure on French and German politicians not to cave in to the Anglo-Saxons. European politicians are terrified of the EU splitting apart, and this will stiffen the spines of even the most jelly-like mandarins in Brussels.

Finally, Carle is certainly right about Brexit’s impact on Britain itself. If the UK marches out of the EU, what stops Scotland from leaving the UK? Or, for that matter, what stops Northern Ireland from reopening old wounds? Besides, more than [75% of those under 25 voted to stay in the EU](#). Metropolises like Oxford, Cambridge, Bristol and London made the same choice.

Brexit has left the country divided along class, regional and demographic lines. The UK has been there before and always muddled through. However, it is no longer an empire on the up but a great power in languid decline. Internal strife might not be such a jolly good thing these days.

\*Available online at [Fair Observer](#)



## Why Donald Trump Won

November 13, 2016

*Americans are hurting and have voted for a dangerous demagogue because their political elites lost credibility by placing private benefits over public gains.*

This week, Donald Trump was elected president of the United States of America. In perhaps fitting irony, this author is making sense of this development two miles

from [Mount Vernon](#), once home to George Washington. How have Americans elected Trump to an office once occupied by Washington?

The simple answer would be, "[It's the economy, stupid](#)." Ironically, this is a phrase that James Carville came up with when plotting Bill Clinton's victory in 1992. So, what is wrong with the economy?

Well, the answer is a hell of a lot. The [Bureau of Labor Statistics](#) records an unemployment rate of merely 4.9%, but that hides the fact that labor force participation is merely 62.8%. This means that nearly 95 million Americans are not working or seeking a job.

If that was not bad enough, jobs do not pay much these days. As Senator Elizabeth Warren recently pointed out in a [passionate speech](#), "wages have been stagnant for a generation while basic costs in housing, health care and childcare have skyrocketed." The Great Recession has led to a long, steep fall in living standards, and some economists like Robert Gordon take the view that "[America's best days may be behind it](#)."

Not everyone is suffering though. The likes of [Ray Dalio](#), the financial wizard of Oz, and [Mark Zuckerberg](#), the emperor of Facebook, are laughing all the way to the bank. Some would say that they are the great pioneers of finance and technology who are reaping just rewards for their vision, innovation and derring-do. After all, markets do not lie. They capture a man's true worth.

This is an argument that has long made people uncomfortable over many millennia. Inequality can be justified in many ways, ranging from income and wealth to caste and class. Yet all the intellectual sophistry in the world does not wash away that faint whiff of disgust that most conscientious people feel when confronted with it.

The US was established on the premise that "all men are created equal," but that no longer seems to be true. Cynics might point out that the author of this declaration was none other than Thomas Jefferson, a man who owned slaves and knocked up some pretty female ones. Nonetheless, they could do well to remember that Jefferson introduced "[A Bill or the More General Diffusion of Knowledge](#)."

For Jefferson, liberal education enabled citizens “to guard the sacred deposit of the rights and liberties.” It was the best guard against degeneracy that oft perverts democracy into tyranny. Remember, Jefferson was writing at a time when Old Europe was still ruled by tyrants who merrily exploited their serfs and oft profited from the slave trade. So, the indebted old fornicator might not have been in favor of liberty for his slaves, but he was certainly ahead of his time in wanting to [educate les sans culottes](#) who did not have the means to send their children to school.

Jefferson was making a point that many have made since. Louis Brandeis, the first Jew to become a Supreme Court justice, echoed Jefferson when he declared: “[We may have democracy, or we may have wealth concentrated in the hands of a few, but we can't have both.](#)”

On July 4, 2013, this author penned an article titled, “[Happy Birthday America](#)” that was considered by many to be too funereal for a festive day. That article dwelled upon inequality, a fundamental problem plaguing the US. It quoted a 2011 report by the [Congressional Budget Office](#) (CBO) that, for the period 1979-2007, income grew by 275% for the top 1% of households in contrast to a mere 18% for the bottom 20%.

As this author pointed out then, wealth inequality is worse and there is no reliable measure for it unlike the Gini index. Still, we are starting to get glimpses into [the increase in wealth concentration](#) thanks to institutions like the US Federal Reserve (Fed). A [2014 paper by Emmanuel Saez and Gabriel Zucman](#) concluded that “wealth inequality is making a comeback, with the top 0.1% wealth share almost as high in 2012 as in the 1916 and 1929 peaks and three times higher than in the late 1970s.”

It turns out that the bottom 90% did do better from the 1920s to the 1980s with their share of wealth rising to 35%, but now that share has dropped to 23%, a similar level to the 1920s. Saez and Zucman conclude that “the top 1%—1.6 million families with net assets above \$4 million—owns close to 42% of total wealth and the top 0.1%—160,700 families with net assets above \$20 million—owns 22% of total wealth, about as much as the bottom 90%.” They also conclude that “wealth is ten times more concentrated than income today.”

This author has repeatedly said that income inequality is not ideal but wealth inequality is a killer. One can make an argument that Cristiano Ronaldo deserves a fancy jet for

his splendid physique, superlative athletic prowess and ability to kick a football. It is harder to make the same argument for an heiress like Paris Hilton.

Even as inequality has been rising, [social mobility has been falling](#). This inter-generational mobility is [lower than most economists thought](#). US President Barack Obama has rather candidly admitted that, in the US, [“levels of income inequality rank near countries like Jamaica and Argentina](#), but that it is harder today for a child born here in America to improve her station in life than it is for children in most of [US] wealthy allies — countries like Canada or Germany or France.”

The inverse relationship between income inequality and social mobility—a phenomenon that has become known as the “Great Gatsby” curve—has come to define the US. The Old Worldification of the US is moving along at a good clip, and Pablo Pardo, the chief correspondent of *El Mundo*, calls Uncle Sam land “a developing country without malaria” for good reason. With rising wealth and income inequality, it is fast becoming a society of tsars and serfs.

So, why are some Americans getting rich and staying rich while others are born poor and unable to break out of the poverty trap?

Some of the answers are indeed obvious.

First, tax policy in the US has favored the rich over the poor. Margaret Thatcher and Ronald Reagan, the supporter of apartheid and liberator of markets, unleashed the [“greed is good”](#) era. Friedrich von Hayek and Milton Friedman were the new high priests of this time. At its simplest, economists believed in markets. Price signals work better than command and control. Markets are efficient. Financiers, traders and entrepreneurs drive the economy, while management, bureaucrats and unions hold it back. So, the risk takers have to be rewarded with greater returns and taxed less. Offshore tax havens are also a good idea because they allow wealth creation, and “trickle down” is much better than redistribution.

Second, financial liberalization has benefited a narrow class. President Bill Clinton’s [so-called Third Way](#) was in thrall to financiers in Wall Street and the City of London. As this author has [repeatedly pointed out](#), Clinton’s *consiglieres* ushered in the new financial boom by throwing the [Glass-Steagall Act of 1933](#) of the Franklin Roosevelt era out of the window. An orgy of mergers followed. Banks became too big to fail. At the same time, they gained the right to gamble with the savings of the public. Loose lending and infernally complicated derivatives allowed bankers to hide risks, ride

a bubble and reap rich rewards. Even as workers suffered, those on Wall Street prospered.

Third, globalization has decimated the working class. Clinton hailed globalization with unfettered flow of goods, services and, above all, capital as the future. It was supposed to bring in prosperity for all, but the reality turned out to be a bit more complicated. As hundreds of millions entered the global labor forces, wages for workers in developed countries fell. Since capital was mobile, companies could maximize profits by moving from Michigan to Mexico in the blink of an eye. So, those who owned shares benefited while [workers in rustbelts suffered](#). Not only did their wages fall, but they often lost jobs as well.

Fourth, regulation is hurting the little man. Small businesses such as car mechanics or retailers are finding it awfully difficult to operate because of strangulating red tape. When *The Economist* writes about "[over-regulated America](#)," it has a point. Here, Democrats are certainly guilty of paving the way to hell with good intentions. Most pious do-gooders in this party tend to be Harvard or Yale lawyers and career politicians with little life experience. They believe they are the smartest cookies around but most are mere cookie cutters who do not think deeply or critically. Besides, Microsoft Word has given everyone the tool of "cut and paste," making elected representatives sloppy draftsmen who might be making Jefferson turn in his grave.

Furthermore, these legislators are highly susceptible to lobbyists because they have to raise copious sums of money for their campaigns. It is little surprise that [the Dodd-Frank Act](#) is an 848-page monstrosity, 23 times the size of Glass-Steagall.

Fifth, the economic model of winner takes all is concentrating power in the hands of a few. [In a veritable tour de force in \*The Atlantic\*](#), Matt Stoller chronicled how Democrats stopped opposing monopoly power and enforcing competition. The Clinton administration shrunk the number of prime defense contractors from 107 to five. Not only did "[Slick Willie](#)" deregulate finance, he put the final nail in the idea of competition. Economies of scale were a jolly good thing even in media and telecoms. Robert Rubin, the former head honcho of Goldman Sachs, walked through the revolving doors of his office straight into the Treasury. The technocrats from Ivy Leagues were supposed to create rivers of milk and honey.

Instead, they proved only too human. They turned out to be unwise, arrogant and greedy. They justified private gain in the name of public interest. Walmart, Comcast, Monsanto and many others emerged as monopolists in their fields. Little businesses died by the hundreds. Today, big chains dominate main streets instead of small businesses. Consumers might get cheaper products from China and elsewhere at Walmart, but the retail giant hires fewer people than smaller stores and pays most of them little but minimum wage. Corporate giants have replaced open markets. It is little surprise that people feel at the mercy of distant forces that could not care less about their lives.

The long and short of the matter is that the US is not in great shape. After the Great Recession, things have been dire in many parts of the country. Many in the working class have been hurting badly as factories have moved to Mexico or China, their children have taken to opioids, and they have been turfed out of their homes for failing to make their mortgage payments. At the same time, both Republicans and Democrats have combined to bail out banks that crashed the global financial system and caused enormous suffering to hundreds of millions. Not only did no banker go to jail, but also these masters of the universe paid themselves [handsome bonuses using taxpayer money](#).

Obama had no stomach to fight Wall Street and continued President George W. Bush's bailout policy. Tim Geithner, a part of the old guard, stepped into the Treasury and is now [president of Warburg Pincus](#). Hillary Clinton along with her husband went one step further. The September 18 edition of [The World This Week](#) chronicled how the Clintons were part of an "incestuous world of hobnobbing politicians and financiers that is riling up voters" and worried about Trump's demagoguery winning over the angry masses. By taking millions of dollars from Goldman Sachs and others, the Clintons earned "[the revenge of the forgotten class](#)" that was hurting badly because of the greed of Bill and Hillary's friends.

As if greed and hypocrisy were not enough, the arrogance of the liberal elite acting as Hillary's cheerleaders pushed people into the Trump camp. Truth be told, the liberal elite in the US is highly illiberal. Like the reactionary conservatives they despise, far too many American liberals view the world in binary terms. They wear their Lululemon, drink their skinny latte and listen to National Public Radio but still retain the puritanical Americano binary judgmental worldview that is incapable of factoring in complexity, plurality or nuance.

In their politically correct world, anyone opposing Hillary Clinton was sexist. The liberal establishment refused to discuss that Clinton had supported Bush in the 2003 Iraq War or her links to Wall Street. Furthermore, these narrow, technocratic and insular wise folks refused to engage seriously with issues tearing apart much of the US such as vanishing jobs, crumbling towns and declining schools. Many people wanted to rub their noses in the dirt, and that is precisely what they have done. Instead of voting for someone who hobnobs with celebrities and the wealthy, they have decided to plump for the real deal in the form of the rich and famous Donald Trump.

This election also demonstrated the corrosive effect of the decline of education on public life. Since Reagan, public schools have declined dramatically in America. In fact, schools in Democrat-run New York are [highly racially segregated](#). Besides, as [this author wrote in 2014](#), ballooning debt, standardized tests and the constant distraction of social media via cellphones is wrecking both the students' desire to learn and ability to think. Students are too scared to fail, too busy with spreadsheets and worried to death about getting a job. The Jeffersonian ideal of education has been abandoned lock, stock and barrel. This means that voters are simply not terribly informed, educated or engaged.

Even top universities have suffered. Many professors simply do not care about their students or the life of their mind. They are incredibly narrowly trained and are fixated with success in the system as it exists. Neither they nor their students dare to question the status quo, which they take as a given. With multibillion-dollar endowments as their main goal, American universities have increasingly turned into mere watering holes on the path to McKinsey and Goldman Sachs. This means they have abdicated intellectual leadership for society and are producing no ideas for people to rally behind.

Glenn Carle, a writer and former intelligence professional, [recently remarked at a discussion in Harvard on American democracy](#) that Thucydides and de Tocqueville matter. Homer matters. He is of the view that the teaching of humanities has been diluted to such a degree that there is no deep wrestling with the human condition. Hence, even the so-called *crème de la crème* of American society shy away from complexity or ambiguity and place their faith in crude ideology or charismatic individuals. This paves the way for demagogues to play Pied Piper and seduce the masses with their mix of anger, hate, fear, outrage and simplistic solutions.

There is another development that is of much importance. A [cult of success](#) has developed in the US, and success is largely measured in money. In the age of celebrity television with good paying jobs hard to get even as costs of health care, childcare, housing and education are shooting through the roof, "[it is a material world](#)" full of [material girls](#).

The internet and social media have not exactly helped either. In many ways, they have amplified the worst elements of American culture. Zuckerberg's algorithms ensure that you get all the news from your friends and that you are [too busy keeping up the Joneses](#) to read something as long and boring as this article. People have retreated into echo chambers. Everyone has their own website or self-selected group, and too many Americans are living in an alternative reality universe where facts no longer matter.

The near collapse of the media has added fuel to the fire. It turns out that there are [five jobs in public relations for every job in journalism](#). Six corporations [own 90% of American media](#). Media leaders are torn between maximizing profits and informing the public. Given the fiduciary duty of executives to maximize returns to shareholders and good old-fashioned human greed, the fourth estate in the US has abandoned informing and educating its readers or viewers. Now, everyone is chasing eyeballs and clickbait is the name of the game.

It is in the interest of the media to cover celebrities and produce sensationalist stories. Therefore, the incendiary Trump makes a great story. As of March 15, this self-proclaimed billionaire had already managed to get [\\$2 billion-worth of free media](#). Democracy depends on discourse, and its deplorable decline has led to a calamitous coarsening of culture.

This author repeatedly maintained that [Trump's victory was a real and tangible prospect](#). Even if he had lost, the celebrity billionaire would have revolutionized American politics forever. Now, the revolution is gigantic. Trump has destroyed the Bushes and the Clintons as well as the establishments of the two main parties. The US is now no exception to what his author has called "[the global rise of the far-right](#)."

In the October 9 edition of [The World This Week](#), this author called Trump the ultimate ugly American and a dangerous demagogue who presents an unprecedented threat to democracy in the US. That remains true today. Trump's victory is the result of a perfect

storm. Now, it is time for concerned citizens to reflect, lick their wounds, dust themselves off, think deeply, act collectively and fight the good fight for greater equity and opportunity. It is time for citizens to realize that life is more than stuff, that success cannot just be measured in dollars, and that norms, decency and discourse are worth living and even dying for.

\*Available online at [Fair Observer](#)



# World Trade Hits Headwinds

November 20, 2016

*After decades of spectacular growth, world trade is experiencing a slowdown even as anti-trade sentiments are on the rise in Europe and the US.*

These are not happy days for world trade. In September, the World Trade Organization (WTO) announced that it expected [“trade in 2016 to grow at \[its\] slowest pace since the financial crisis.”](#) This week, the White House that has long [championed the Trans-Pacific Partnership \(TPP\)](#), a rather controversial trade deal, admitted that [the US Congress will abandon the TPP](#).

According [WTO’s World Trade Report 2013](#), trade has increased dramatically over the last few decades. From 1980 to 2011, merchandise exports rose from \$2 trillion to \$18.2 trillion and commercial services trade from \$367 billion to 4.2 trillion, which mean growth rates of 7.3% and 8.2% respectively. In volume terms alone, after accounting for changes in prices and exchange rates, “world merchandise trade recorded a more than four-fold increase between 1980 and 2011.”

Since World War II, Uncle Sam has been the leading cheerleader for trade. It led the charge to open up markets worldwide and to create the WTO itself. In part, this was a reaction to the “beggar-thy-neighbor” policies that took center stage after the Great Depression. Once the Berlin Wall fell in 1989, [US trade policy embarked on a new era of trade liberalization](#). With the election of Donald Trump as president, this era is over.

Trump has declared the current US trade deals to be stupid, disgusting and [“the absolute worst ever negotiated by any country in the world.”](#) He has declared the \$500 billion trade deficit with China as “the greatest theft in the history of the world.” As Trump memorably said, Americans [“can’t continue to allow the \[Middle Kingdom to rape\] Uncle Sam.”](#) Ironically, Trump’s fuming and foaming has come at a time when global trade is slowing down.

In fact, such is the scale of the slowdown that WTO Director-General Roberto Azevêdo has declared that it “should serve as a wake-up call. It is particularly concerning in the context of growing anti-globalization sentiment.” He went on to make the argument that an open global trading system is important not only for consumers and traders, but also for job creation, economic growth and development itself.

Given that he heads the WTO, Azevêdo is right to be worried. Trade is declining because the global economy is in trouble. In the January 24 edition of [The World This Week](#), this author pointed out that there is both a demand and a supply problem today. American consumption has fallen, creating a demand problem. Chinese factories, the workshop of the world, are struggling to find buyers for their goods. A [debt crisis](#) is plaguing far too many economies even as jobs are evermore scarce and are paying lesser by the day. Unsurprisingly, [income, wealth and educational inequality](#) are rising. Combine these with falling social mobility and you get falling demand for goods and services, which in turn lead to declining trade.

Many, [including this author](#), blame central banks for some of this inequality. Mark Carney, governor of the Bank of England, vehemently disagrees. Carney says that the world needs structural reforms to solve economic problems. He takes the view that monetary policy was the only thing “keeping the patient alive” after [the Great Recession](#). Carney has a point. This author has remarked in the past that the US Federal Reserve (Fed) was [“caught between the Scylla of a bubble and the Charybdis of a recession.”](#) Raise the rates and a recession turns into depression. Keep them low and asset bubbles run amok. Even if asset bubbles do not burst, the [“animal spirits”](#) they have unleashed are neither good for the economy nor for trade.

There is a larger problem afflicting trade and Azevêdo alludes to it by pointing to the anti-globalization forces gaining ground. In the June 12, 2015, edition of [The World This Week](#), this author pointed out that trade is good, but not for everyone. That article examined how Africans were turning to trade even as Americans were turning off it.

The US House of Representatives had given President Barack Obama a bloody nose as he pushed for the TPP, the biggest trade deal in history.

Then, this author pointed out a rather obvious fact. Trade is not always a win-win. It generally produces winners and losers. Consumers might win because of more goods at cheaper prices, but workers might lose out because of factories shifting to foreign shores. Similarly, investors in companies might profit when factories move overseas, but communities may be decimated by this phenomenon.

Americans have lived by the dogma that trade is good and free trade is wonderful. However, they could do well to remember that their infant industries developed under [a high wall of tariffs](#) that protected domestic manufacturers from foreign competition. Many countries have industrialized using tariffs intelligently. There is something to the infant industry argument if an economy merely exports cocoa seeds. Exporting value-added goods like chocolate is any day a better proposition.

Of course, this does not mean that tariffs are necessarily a good idea. Tanzanians and Indians implemented tariffs disastrously. India's "[license raj](#)" imposed socialism via a colonial bureaucratic system that wreaked carnage to the economy. Similarly, "beggar-thy-neighbor" tariffs notoriously worsened the Great Depression.

Trade is an age-old phenomenon and the earliest civilizations learnt to trade with each other for goods if not services. Trade of the modern kind confers enormous benefits. Yet it has significant downsides too. Two of them are significant but given short shrift by the likes of Obama and Azevêdo when they are championing global free trade.

First, the big losers in the last few decades of global free trade are workers in the so-called "first world." When the Berlin Wall fell and the Soviet Union collapsed, it really did seem like [the end of history](#). What Francis Fukuyama forgot to factor in was that hundreds of millions or even billions now joined the global labor force. Since the supply of labor increased manifold, it was only natural that there had to be some movement toward wage convergence now that free flow of capital, goods and services were the order of the day. Inevitably, wages in the first world had to drop. [Technology has added to the downward pressure on wages](#).

If free movement of people had occurred at the same time as [many developing countries demanded](#), then the results for labor in the first world might have been even

more catastrophic. What emerged was still a disaster to which the [crumbling edifices of the once dynamic city of Detroit](#) provide silent testimony. The halcyon days after World War II when good, solid, working class jobs with generous pensions were available to a large part of the population now seem overwrought figments of fancy.

Nasir Khilji, a senior economist at the US Treasury, is of the view that his country enjoyed the benefits of monopoly trade in the immediate aftermath of World War II. Europe and Japan had been bombed out. Newly independent countries were mere commodity producers. The US had a huge advantage in capital, technology and, above all, knowledge. After all, the great minds around the world from Albert Einstein to Friedrich von Hayek made a beeline to American universities, giving the US a great economic edge.

This edge meant the US had the most to gain from trade. For instance, Uncle Sam could export Fords to Latin America whilst importing bananas from the "[banana republics](#)" in the region. Besides, dollars made the world go by and the US was able to enjoy improving [terms of trade](#). This means that for every unit of exports the US sold, the country could buy more units of imported goods. Adam Smith and David Ricardo became the patron saints of the US even as Karl Marx and Vladimir Lenin ascended to the Soviet pantheon. Americans lustily sang the gospel of free trade as a win-win for everyone even as they won more than others.

Thankfully for Uncle Sam, the Soviet model was fatally flawed. Joseph Stalin's paranoiac purges, bloody collectivization of farms and brutal industrialization by decree might have avoided the Great Depression and impressed the likes of Jawaharlal Nehru, but they left millions dead, created a climate of fear and poisoned the economic system forever. In the words of French philosopher Régis Debray, there was "[more power in blue jeans and rock and roll than the entire Red Army](#)." There was even greater power in the US economy and in trade.

So, why is the land of Uncle Sam turning against trade after championing it religiously since World War II?

The answer lies in the events that unfolded from 1989 to 1991, destroying the decrepit and drab Soviet Union. Unlike Fukuyama's Judeo-Christian notion of history, the damned story of *Homo sapiens* will never quite end until the species goes extinct. Every stage brings twists and turns. Even as the US conclusively won the cultural,

intellectual and economic battles, the victory sowed the seeds of its current social and economic discord. As markets from Eastern Europe and East Asia to Latin America and South Asia liberalized their economies, the US lost its exporting edge.

Companies seeking profit maximization started moving their factories to countries with cheaper labor. [Trade deals](#) championed by successive US administrations facilitated the process. As described above, the free flow of capital, goods and services proved a great boon for American investors and consumers. Investors laughed all the way to the bank as Wall Street boomed and consumers shopped till they dropped at Wal-Mart. Alan Greenspan's low interest rates created "[irrational exuberance](#)" that led to rising housing prices that, for a while, hid the flat wages of the working and middle class.

When the housing bubble collapsed and the ensuing financial crisis turned into the Great Recession, the [emperor's new clothes](#) were there for everyone to see. The first world working class that had lost out in global trade had nowhere left to hide. Even as governments and central bankers rushed to bail out banks using taxpayer money, the working class was left high and dry. This might not have mattered if, as in China, they could not vote. Sadly for the smug elites in cities like New York, London, Brussels and Washington, DC, these *sans culottes* can and do cast their ballots.

Michigan, home to Detroit, is a classic case in point. For years, the state has hemorrhaged jobs. Factories have not only moved overseas, but to sunnier climes in the Deep South where pesky unions did not bother them as in the Great Lakes State. Of late, the workers are making a ruckus and so are some politicians. A certain chap named Donald Trump was particularly vociferous in his criticism of the Ford Motor Company's expansion of auto production in Mexico. Is it any surprise [then that Trump flipped 12 counties to win Michigan?](#)

Second, a big loser in this dash toward free trade has been the environment. In fact, some argue that lulu lemon wearers and skinny latte drinkers packed off factories that once polluted the Hudson and the Thames to the [banks of the Ganges](#) and the Yangtze. That might be a touch too harsh, but it is indubitably true that American and European companies operate in Asia or Latin America with fewer fetters about polluting the environment than in their home nations.

Even a brief visit to the Middle Kingdom demonstrates the downsides of driving through the biggest and fastest industrialization in human history. In 2015, an [explosion in China](#) highlighted how the country's air, water, soil and food were highly contaminated. "To get rich is glorious," said Deng Xiaoping, and the Chinese have certainly taken heed. So have other companies like [Apple that manufacture their products](#) cheaply in the workshop of the world. After all, their directors have a fiduciary duty to maximize profits for their shareholders. If this means that they or their suppliers dump effluents in a Chinese river, that's not their problem.

Trade can be a jolly good thing but sometimes not so much. When the British East India Company grew opium in India and exported it to China, it brought famine to the brown man and addiction to the yellow man. It was a "buy one, get one free deal" for the two then-largest economies in the world. Objections to British notions of free trade or, as some would say, not-so-free trade were dispatched with the swift arguments of deadly cannonballs.

In an ideal world, trade could be a win-win. After all, the French might want cheap smartphones manufactured in China, while the Chinese might want Christian Dior crafted in France. It allows the Middle Kingdom to capitalize on its cheap and disciplined labor while enabling the French to prey on human vanity and [sell alluring visions of their fabled sexiness](#). Surely, the world is a better place with more goods and services produced and exchanged.

There is a compelling argument for trade but, like all arguments, reality can trip up neat formulations. People are more than consumers. They can be workers or, heaven forbid, citizens. If jobs are lost in *la grande nation* because the French buy "Made in China" products, then it might be a good idea to compensate these workers and an even better one to retrain them. If only the gloriously rich buy Christian Dior because of a feeling of cultural inferiority that might not be such a wonderful development for the land of Confucius.

The trade that the WTO's 2013 report chronicles omits the downsides and fails to mention the losers. For trade to be largely beneficial, societies have to mitigate the former and compensate the latter. Those who gain the greatest benefits from trade must sacrifice for those who suffer most from it. Failure to do so ruptures the social contract. Anger simmers. Demagogues exploit this discontent.

As Trump and his ilk kill the TPP and rail against trade, they must realize that the US still holds the cards. The terms of trade are still in Uncle Sam's favor. US energy costs are low. No one can rival in technological firepower and talent pool. People still flock to US universities from around the world and often stay on. The next generation of products and services are emerging from the US whether it is the Tesla car or the Uber app. So, trade might not be such a bad idea for the US. Of course, the likes of Elon Musk and Travis Kalanick might have to pay off folks in Michigan and Florida to agree. In any case, the global economy is now inextricably intertwined and in delicate health. Trade is not all good, but trade wars are almost invariably terrible as the 1930s remind us. So, the TPP may be dead but may we trade on.

\*Available online at [Fair Observer](#)



## Fidel Castro Divides Opinion

November 27, 2016

*Fidel Castro was a complicated leader who leaves behind a tortured legacy that involves both fighting apartheid and then killing his loyal general who led that fight.*

Fidel Castro, the tall charismatic leader of Cuba, is dead. True to form, Donald Trump has called Fidel, as Castro has come to be called, a "[brutal dictator](#)." In Miami, [hundreds celebrated in the streets](#). One man said the "head of the snake" had been cut off and another remarked that Fidel's death was the end of an ideology.

In other parts of the world, there was a different reaction. Indian Prime Minister Narendra Modi called Fidel "one of the most iconic personalities of the 20<sup>th</sup> century." He went on to say, "[India mourns the loss of a great friend](#)." Like Modi, many African leaders reacted with "[words of condolence, praise and solidarity](#)." President Jacob Zuma thanked Fidel for supporting South Africans in their struggle against apartheid. Nigerian President Muhammadu Buhari called Fidel "[a great friend to Africa](#)," and Rwandan President Paul Kagame saluted the Cuban's "full liberation life."

Elsewhere, Chinese President Xi Jinping declared, “[Comrade Castro will live forever](#),” Pope Francis expressed “sentiments of grief,” and even European Commission President Jean-Claude Juncker called the former guerrilla “a hero for many.” In his native Latin America, [millions mourned Fidel](#) because they saw “*El Comandante*” who, in the words of Ecuadorian President Rafael Correa, left his country “more just, more equal but also more dignified and more sovereign.”

The Cuban who just died was a complex character who defies both deification and vilification. His story is well known and has been chronicled in [obituaries](#) around the world. Fidel was brave to the point of recklessness. In 1953, he led an attack on the Moncada army barracks near Santiago and ended up in prison. Only a general amnesty in 1955 enabled him to leave prison and embark on a second innings.

Once out of prison, Fidel fled to Mexico and met another revolutionary named Ernesto “Che” Guevara. In late November 1956, Fidel and Che returned with 80 others in *Granma*, an old, leaky cabin cruiser designed to carry just 12 men. By the law of probabilities, Fidel, Che & Co. should have perished in the perilous voyage. They did not have much luck when they landed. Government troops attacked them immediately on landing and killed most of them immediately or after capture. Only 22 survived and regrouped in the Sierra Maestra mountains.

What happened next is the stuff of legend. Fidel and Che led a guerrilla movement that overthrew Fulgencio Batista despite all the odds. Batista was a former army sergeant who had come to power through a coup in 1952. In the words of [Sarah Rainsford of the BBC](#), “corruption, decadence and gross inequality” plagued Cuba. The country was run by organized crime syndicates where Americans turned up in droves to enjoy whiskey, rum, cocktails, cigars and Cuban women.

Then as now, history casts a dark shadow on both Cuba and the United States. In the March 27 edition of [The World This Week](#), this author pointed out how Cuba was colonized by Europeans just like the US in the aftermath of Columbus’ voyage. *Conquistadores* engaged in an orgy of violence against the natives with slaughter, rape and robbery as par for the course.

The paths of the two countries diverged soon. While Protestant US declared independence from Great Britain as early as 1776 and powered ahead, Catholic Cuba remained a docile colony of strife-torn Spain until finally breaking out in rebellion in

1868. Only in 1898 did Cuba become independent thanks in part due to US troops like Theodore Roosevelt's "Rough Riders" riding in to rescue.

The Americans came as liberators but soon turned into oppressors. This is a time when the US was modernizing fast. Its industries had an insatiable thirst for resources. Like the British before them, Americans were acquiring a taste for things like sugar. Sugarcane plantations like the one run by Fidel's father provided the US with sugar. Direct rule by Spain was replaced by indirect rule by the US.

As Uncle Sam replaced Spain as the oppressor of Cuba and of Latin America, its companies ran [banana republics](#) in the region. Its intelligence agencies backed corrupt despots like Batista. These autocrats signed off land, mining rights and other resources to American companies, often for a pittance. Latin American economies found themselves producing commodities for Uncle Sam. The catch with this model was that the more commodities these economies produced, the more commodity prices fell. So, Latin American countries were caught in a terrible trap of poverty, economic exploitation and political repression.

This legacy continues till this day. In the September 4 edition of [The World This Week](#), this author painted the backdrop of the 52-year-old Colombian civil war and pointed out that Latin America continues to be the world's most unequal region. In 2014, the richest 10% owned 71% of the wealth. The "aristocracy of rank, office and wealth" that Simón Bolívar bemoaned continues to plague the region. Under Batista, life in Cuba had become so unbearable that the country was called "[the whorehouse of America](#)."

Batista was among the most repulsive of Latin American dictators. He was brutal, corrupt and disastrous for the country. At some point, almost everyone in Cuba turned against Batista. On January 2, 1959, barely two years after returning to Cuba, Fidel and Che entered Havana in a triumphal procession with thousands cheering them on. Batista fled, "[taking most of the Central Bank's reserves of dollars and gold](#)." Consequently, Fidel took charge of a poor country with an empty treasury.

Initially, Fidel wooed Uncle Sam. After all, he had spent his [honeymoon in Florida](#) and raised money for his revolution in Miami. Americans were equally fascinated with this revolutionary. Cheering crowds greeted Fidel but Dwight D. Eisenhower, then president, preferred to play golf instead of meeting this towering man with a Himalayan ego. Fidel never forgot that slight. Richard Nixon, then vice president, met the young

Cuban leader and concluded that Fidel was “[either incredibly naive about communism or under communist discipline—my guess is the former.](#)”

Soon, Fidel embraced communism completely and [Soviet economic aid to Cuba](#) kept the country aloft. Tanks not just tractors started arriving in. They helped when John F. Kennedy and Robert F. Kennedy launched the disastrous Bay of Pigs in 1961. The image of Fidel leading his troops and jumping off a tank has become iconic since. The invasion was followed by the [Cuban Missile Crisis](#) in 1962 that made the Cold War incandescent hot and nearly led to nuclear war. Thereafter, the Soviets and Americans reached a rapprochement and Fidel was left fuming in fury as a result.

Throughout life, Fidel had his ups and downs. He managed to dodge death for decades. As per legend, the Central Intelligence Agency (CIA) tried to kill him an [estimated 600 times](#). Channel 4, a British television station, would make a documentary, [638 Ways to Kill Castro](#), about the numerous assassination attempts to kill this cigar chomping communist. Arguably, these attempts did not harm him as much as the collapse of the Soviet Union. That moment in 1991 nearly brought Fidel down.

The Cuban economy [contracted by a third](#). After all, the Soviets alone had imported 80% of the country’s sugar and 40% of its citrus. They also provided Cuba most of its oil. Economically, Cuba had been a Soviet client regime. With the Soviets gone, Cuba suffered immensely. Castro managed to survive this crisis, too, and new benefactors appeared in his backyard as a new generation of left-leaning leaders emerged in Venezuela, Brazil and Bolivia to proffer support.

Like all living creatures, Fidel grew old and Raúl Castro, his loyal brother and longstanding comrade, took over. In came economic reforms, new private businesses and a mixed economy. Inexorably, Cuba started moving in the same direction as China and Vietnam. Rapprochement with Uncle Sam followed and US President [Barack Obama turned up in Cuba](#) earlier this year for a visit. Things seemed to be mellowing down, but Fidel’s death has revealed chasms that still run deep and wide.

For many, Fidel was merely a brutal dictator who ran a repressive one-party state. He and his cronies killed wantonly without due process or mercy. Fidel’s insistence that “revolutionary justice is not based on legal precepts, but on moral conviction” revolts those who believe in human rights and rule of law. In Fidel’s Cuba, there was no

freedom of speech, repression rife, torture rampant and imprisonment of political enemies a way of life. Obedience to Fidel and loyalty to his party had to be unquestionable. It is little surprise that many damn Fidel as a modern-day absolutist monarch guilty of medieval barbarity.

Apart from political repression, Fidel brought economic ruin to his country. He quite literally ran the Cuban economy into the ground. Havana's dilapidated buildings are testimony to the penury his ideas and decisions imposed on Cuba. Like Joseph Stalin before him, he nationalized all private property. In fact, the first farm [Fidel nationalized was the Castro family farm](#) and his mother never forgave him for it. Neither have millions of others who lost their farms, shops and small businesses they had worked so hard to create. Fidel's apparatchiks have failed as miserably as their Soviet counterparts. The [Cuban Revolution of Fidel led to an exodus](#) to the US.

So, are Fidel's critics right? Was he a blundering murdering monster, a mini Stalin? Fidel's admirers argue that [life expectancy at birth in Cuba is exceeds 79](#) and infant mortality merely [4.5 per 1,000 live births](#), a figure lower than the US. They argue that Cubans have great health care, terrific doctors, good schools and decent universities. They have a point. In 2015, Cuba became the first country in the world to eliminate mother-to-child transmission of HIV and syphilis. A year earlier, Fidel's tiny island country had sent [more than 50,000 health professionals to serve in 66 countries](#). Even *Time*, an Americano publication, acknowledged that [Cuba was a hero in fighting Ebola](#).

Some argue that Fidel was not responsible for all of Cuba's economic woes. Over five decades ago, the US imposed a draconian embargo on its tiny neighbor. While claiming to support freedom and oppose terrorism, it [trained terrorists](#), harbored violent reactionaries and [inflicted untold suffering on millions of Cubans](#). Wayne S. Smith, a foreign policy guru who resigned from the US State Department over disagreements with Ronald Reagan's doctrinaire Cuba policy, once aptly remarked, "[Cuba seems to have the same effect on American administrations that the full moon once had on werewolves](#)." So, Fidel's supporters do have a point.

Many of [Fidel's most ardent admirers are in Africa](#). Like [Nelson Mandela](#), they cannot forget Cuban support of liberation struggles against European colonial powers. It is now an open secret in most places other than the land of the free and the home of the brave that Cuban intervention in Angola hastened the end of apartheid. Apartheid

South Africa had intervened in this former Portuguese colony to prop up a proxy regime. At this time, Uncle Sam supported apartheid and acted in tandem with the South Africans in Angola, [deeming Mandela a terrorist](#). Unfortunately for the US, the fabled South African military machine was humbled for the first time on African soil by Cuban fighters and their allies.

So, do Fidel's supporters have a point? Was he the great freedom fighter battling colonialism, imperialism and racism?

The way *The Economist* describes Fidel is telling. For this 1843-vintage opponent of India's independence, "[Fidel was a Marxist of convenience, a Cuban nationalist by conviction and a Latin American caudillo by vocation](#)." This well-crafted sentence is only partly true, but those who oppose the view of Fidel as an evil dictator are being pilloried. Canadian Prime Minister [Justin Trudeau has been hauled over the coals](#) for being complimentary about Fidel. Ségolène Royal, a French leader who once ran to be president, [has found herself in hot water](#) too.

By contrast, in the non-white world, even the market-friendly Modi who is [often accused of being fascist](#) has to sing paeans to Comrade Fidel. Here, any criticism of the late Cuban leader is seen as support for apartheid. Fidel has become a sacred icon of the anti-imperial struggle against white supremacists.

The truth is far more complicated. The perspicacious [Peter Isackson](#) refers to Fidel as [Asterix the Gaul](#) for our times. Barely 90 miles from American shores, Fidel managed to make mockery of the [Monroe Doctrine](#) and spat in the eye of the insufferable worthies in Washington, DC. This earned him respect around the world. Of course, Fidel was brave, generous and idealistic to many poor countries, whether in supporting their liberation struggles or in providing them modern medicine. This made him a hero to millions.

At the same time, Fidel was a canny ruler who wanted absolute power. He cleverly sent off his most illustrious knight to fight distant crusades without much support. Che's death and beatification turned out to be most convenient for Fidel. More damningly, [Fidel executed Arnaldo Ochoa Sanchez](#), his splendid general and the hero of Angola, on thinly disguised charges that were blatantly untrue. It was reminiscent of Robespierre turning on Danton or Stalin getting rid of Kirov.

Fidel, the Jesuit-trained communist, was complicated. Both saint and sinner, he leaves behind [at least 10 children](#) from many mothers and a most tortured legacy.

\*Available online at [Fair Observer](#)



# Dirty Oil Drives the Global Economy

December 4, 2016

*House prices and oil prices rose this week, raising prospects of short-term economic growth while amplifying possibilities of long-term damage to the planet.*

This week, house prices in the United States hit a record. Believe it or not, the average home price for September is 0.1% above the previous peak set in July 2006. [The Wall Street Journal](#), a publication now owned by the venerable Rupert Murdoch, is of the view that this rise is “bringing to a close the worst period for the housing market since the Great Depression and stoking optimism for a more sustainable expansion.”

This author disagrees.

Time and time again, this author has warned about the perils of quantitative easing (QE). At its simplest, QE is a method through which central banks flush cash into the economy to stimulate demand and boost the economy. In the May 22 edition of [The World This Week](#), this author explained how QE was contributing to merger mania, a rising risk to the global economy. In the [January 24 edition](#), this author pointed out how the global economy was in trouble, partly because QE was papering over the deeper structural problems of debt, unemployment and inequality. Then, his author quoted Bill Gross, the “[Bond King](#)” or the “real Mr. Bond,” who damned central banks for QE.

The current rise in house prices is due mainly to QE and not to the dynamism of the US economy. It is true that companies in parts of the US such as the San Francisco Bay Area have their 10 fingers in ghee and their mouth in the butter jar. Facebook, Apple and Google, or rather Alphabet, are doing swimmingly well. So, rising house prices make sense. Even here, though, [soaring wages cannot keep up with house](#)

[prices](#). In avoiding the Charybdis of recession, [the US Federal Reserve \(Fed\) has sailed into the Scylla of a bubble](#).

Record house prices portend rising risks to the global economy, but it is developments in the good old world of dirty oil that take center stage this week. Canadian Prime Minister Justin Trudeau, known for his debonair looks and love for the environment, [approved the expansion of the Kinder Morgan Trans Mountain pipeline](#) that carries oil for export from Alberta's tar sands to the west coast. Environmentalists, indigenous groups and even political allies are not too pleased.

A week ago, some on the right insinuated that [Trudeau was Fidel Castro's love child](#) after the young Canadian leader was complimentary about the late Cuban. This week, many on the left are furious with Trudeau. Truth be told, poor Trudeau is in a bind. He probably genuinely believes in protecting the environment and combating climate change. Yet what is good for the environment only too often runs counter to what is good for the economy.

After expansion, the pipeline's capacity will increase from 300,000 to 890,000 barrels a day. This will generate more jobs in Alberta, higher profits for oil companies and increased taxes for the government. It is these taxes that will help Trudeau deliver more services to the Canadian people who have voted for him after [years of welfare cuts](#) under Stephen Harper's premiership.

Over the last two years, energy companies in the US and Canada that were tapping [tar sands](#) or [fracking shale gas](#) have found themselves in trouble due to low oil prices. Pipelines assume massive importance in such economic conditions for companies and governments. At the same time, they also increase risks of environmental damage. Spills become a real and tangible possibility. Furthermore, many indigenous groups see the building and extensions of pipelines as continuing aggression against their historic homelands. In the US, [the Sioux recently organized a spirited resistance in North Dakota over another pipeline](#). Once, Native Americans owned all of North America. Today, they find their moth-eaten reservations under threat because others want more oil.

It is an open secret that extracting oil from tar sands and fracking for gas is a [dirty business](#). Huge amounts of water are wasted. Toxic metals end up in the soil and greenhouse emissions are higher than the amounts released in conventional

production. Greenpeace has done a decent job of clearly explaining some [environmental impacts of fracking](#). Yet this has failed to convince Trudeau, who is certainly a far more environmentally friendly character than either George W. Bush or Donald Trump.

Those who are disappointed by Trudeau must remember that this callow leader is a politician and not a prophet. He is not someone who can move far ahead of his electorate. His voters like those who live south of the border are used to a certain quality of life. People live in big homes in North America. The vast majority of these need heating in winter and cooling in summer. Because people live in such homes, they are spread out and have to drive around for longer. Bigger homes also mean that people can own more stuff. Therefore, they consume more and products are shipped to them from around the world. All these activities require energy and, unsurprisingly, oil is the [lifblood of the North American economy](#).

Some argue that the use of oil and other fossil fuels is a testament to human ingenuity. After all, human beings are an innovative and inventive species who have overcome the constraints of the environment spectacularly. The invention of agriculture and the wheel was a big step forward, but the invention of the steam engine and then the motor car completely changed the ballgame for this species. Despite wars and pestilence, the human population has exploded. About [7.5 billion](#) people now live on this planet. The vast majority aspire to live like North Americans. They want to drive cars, buy washing machines and drink coffee at Starbucks.

This model of human existence is sanctified by economics, the greatest religion of our time. Its high priests posit that increasing consumption of goods and services is a jolly good thing. Every country aims for growth because its leaders and often its people want more. By this logic, human beings are better off if they buy ever more stuff. So, gold, silver and diamonds should make "[Uptown Girl](#)" happy. Similarly, Ferraris, lake houses and intricate ivory figurines should please the golden boys at Goldman Sachs. Even *The Wall Street Journal* is beginning to acknowledge that this might not entirely be true and [wealth might not necessarily lead to happiness](#).

Assuming for a moment that Uptown Girl and Goldman Boy are fulfilled by consumption, other questions still arise. If the gold and silver for the former came from [robbing the Incas](#), would that be fine? What if that gold and silver came from toxic mining that [poisoned workers and vast stretches of land](#)? What if these toxins entered

the food chain, harming plants, animals and people? What if this land was the ancestral home of tribes who had lived in largely egalitarian communities but were now reduced to semi-serfdom because of penury? Similarly, what if ivory for the Goldman Boy's figurines came from the slaughter of majestic elephants? What if those carving the figurines were slave labor in dingy basements in Shanghai? What if their backs were broken and lungs poisoned in the process? Suffice to say, there are exactly the questions that economics shoves under a magic carpet it calls externalities.

Essentially, the modern global economy is based on the idea of [homo economicus](#), which deems that man is an economic animal with wealth as the end goal of life. Fossil fuels like oil and coal add to human wealth. They allow Americans to drive cars and Canadians to live in homes with heating. There is certainly an element of truth to this idea. Most Kenyans would jump at the opportunity to move to icy Canada, but most Canadians would be loath to live in salubrious Kenya.

Yet wealth and prosperity are not all. To steal a line from William Shakespeare, there are more things in heaven and earth than diamonds and Ferraris. As this author has pointed out repeatedly, the claims [economics makes to be a science](#) are absolute nonsense. Economics is infuriatingly simplistic and reductive, while human beings are infernally complicated creatures living in a terribly complex world.

This complex world is now under threat. In the October 30 edition of [The World This Week](#), this author argued that climate change matters and so do other species. That week, the overall decline of 58% in vertebrate population sizes from 1970 to 2012 had gone largely unnoticed in countries like India and the US. This author said the consumerist Americano economic model will lead the world to disaster. A new citizenship with a stronger sense of community that focuses on long-term challenges is the need of the hour.

That citizenship is not yet in sight. Not only did Trudeau expand a major pipeline, but also the Organization of Petroleum Exporting Countries (OPEC) agreed to the [first cut in oil production in eight years](#). Even Russia agreed to unprecedented cuts in its own output. This sent oil prices soaring and the deal will drain record global oil inventories. Jeffrey Currie of Goldman Sachs found the economics of the deal "incredibly appealing" and is salivating at the prospects of higher economic growth.

Over the last two years, oil producers such as Russia, Brazil, Nigeria and countries in the Middle East and North Africa have been in deep trouble. Falling oil revenues have led to increasing budget deficits and rising debt. These oil producers had to lower government spending, pushing their economies into recession. This in turn lowered demand for goods and services that these oil producers would have purchased from economies such as Germany and the US. As a result, deflation is a big challenge for many economies. In brief, low oil prices have caused major headwinds for the global economy.

Economists like Currie estimate that rising oil prices will stimulate the oil producing economies, [boosting global growth](#). The Russian ruble, the Mexican peso and the Canadian dollar have appreciated after the OPEC deal. The deal will also help the US, which is now the [third largest oil producer in the world](#), pumping out more than 9 million barrels per day, nearly 10% of the average daily consumption of [96 million barrels](#). Rising oil prices will lead to greater investment and output in the US. They will lower unemployment, increase wages and expand the economy.

Given such good news for the global economy, everyone should be singing “[Kumbaya My Lord](#),” but some killjoys like this author are not exactly jumping up and down in joy. The OPEC deal is like a cocaine dose that will give the global economy a temporary high but do nothing to solve its deeper structural problems such as rising debts, increasing inequality and worsening environment.

It is indubitably true that dirty oil makes the global economy go round. Like any addict, this economy cannot suddenly abjure oil without suffering withdrawal symptoms. However, the world is coming to a point where increasing oil production and consumption are not sustainable. Already, there is talk of [India's demand for oil growing faster than China's](#), but economists conveniently forget that [New Delhi is now the most polluted city on earth](#). In simple cost-benefit terms that even [Professor Gradgrind](#) might understand, [the dramatic rise in breathlessness, asthma and allergy](#) in India's capital could possibly outweigh the advantages of using more oil.

If humanity is serious about its long-term future, it has to start weaning itself off oil. Both demand and supply will play a part. A greater frugality in using energy would go a long way. Even a simple act of not keeping American buildings at near freezing temperatures during summers would help. Similarly, a greater use of using alternative energies would add immense value. [Solar plants à la Rwanda](#) hold promise. However,

such developments will have to wait because Trudeau, OPEC and Goldman Sachs are still hooked on oil and so is the rest of the world.

\*Available online at [Fair Observer](#)



# Italian Referendum Puts Banks and Brussels in Focus

December 11, 2016

*Italians voted against constitutional reforms to protect their imperfect democracy. They now have to deal with a banking crisis that threatens the EU itself.*

This week, Alexander Van der Bellen, former head of the Greens, beat Norbert Hofer of the far right in the [Austrian presidential election](#). Van der Bellen promised “to be an open-minded, a liberal-minded and first of all a pro-European federal president of the Republic of Austria.” In May, Hofer had given him a run for his money and nearly emerged as the first far-right head of state in Europe since World War II.

In neighboring Germany, Chancellor Angela Merkel called for a [ban on the burka “wherever legally possible”](#) as she sought to assuage concerns about integrating over a million asylum seekers. She vowed that sharia law would never replace German principles of equality. The August 21 edition of [The World This Week](#) argued that such bans “neither improve security nor liberate women” but, unlike this author, Merkel has a big election coming up.

Speaking of elections, Ghana had its seventh election since democracy returned to the country in 1992. [Nana Akufo-Addo, the opposition leader, won](#) a tight race against John Mahama, the current president. At a time of economic turmoil, Akufo-Addo promises free high school education and economic reforms.

US President-elect Donald Trump is also promising economic reforms. In a series of tweets, he promised to reduce taxes and regulations for American companies. He was

not all sweetness and light though. Trump threatened companies that move jobs overseas that he would impose a [35% tariff](#) on goods they imported into the US. Charmingly, he slammed Boeing for the \$4 billion-plus brand new 747 [Air Force One](#) for “out of control” costs. Trump ended his tweet with “Cancel Order!” It is probably entirely coincidental that this tweet came after the [Boeing boss argued for free trade](#) and criticized Trump’s proposed protectionist policies.

For all the events around the world this week, it is Italy that takes center stage. Like David Cameron, Matteo Renzi lost a referendum. Like Cameron, Renzi announced his resignation from the premiership. Unlike Cameron, Renzi lost badly, not narrowly. Italy is now in political and economic crisis. Soon, this crisis will envelop the European Union (EU).

Why has the Italian referendum caused such a serious crisis?

First, Italy’s cumbersome political system has long been dysfunctional and is close to break down. Such is the state of affairs that the government threatened to use the [army against the mafia in Naples](#) just to clean up the rubbish two years ago. Unlike many other European nations, the country does not quite have rule of law. The January 31 edition of [The World This Week](#) pointed out that “Italy’s Byzantine regulations ... are honored more in the breach than observance.” Its famously fractious democracy is unable to agree upon or enact any change even as the dissatisfaction of Italians increases every passing day. Italy needs reforms but Renzi’s loss might continue the stasis of the status quo.

Second, the Italian economy is in dire straits. In the third quarter this year, its [unemployment rate was 11.9%](#). Only Spain and Greece in the eurozone have higher unemployment rates. [The Economist](#) estimates that public debt stands at 135% of GDP. Given that Italians are living longer and having fewer children, this [demographic disaster](#) exacerbates the country’s debt burden. On January 31, this author pointed out that Italian banks were in trouble with €350 billion of bad debt on the books. Unsurprisingly, “confidence in Italian financial institutions has evaporated, credit is hard to get and the Italian economy is gasping for air.”

Dark clouds have filled Italy’s azure skies since 2008. Its economy is 12% smaller since then. Italy has been in recession for five of the last eight years. Its per capita income after adjusting for inflation is lower than in 1999. Italian productivity has been

falling and its economy is ridiculously uncompetitive. The third largest eurozone “economy has been moribund for years, suffocated by over-regulation and feeble productivity.”

Many factors hobble the Italian economy. The country’s convoluted tax system is notorious. No one understands it except accountants. Its [labor laws](#) are a nightmare. According to the World Economic Forum, Italy ranked 141st out of 144 countries in terms of its hiring and firing practices. Apparently, the labor code is merely 3,000 pages-long. Unions are formidable and businesses stay small to avoid them. Consequently, there are few jobs around and getting hired is ridiculously difficult because businesses are worried to death about getting it right.

An obsolete education system deflates the Italian economy further. Here too, bureaucracy and red tape have wreaked havoc. The worthies in charge of preparing young Italian minds for the future introduced [more than 1,000 laws and rules from 1990 to 2006](#). University barons run empires of patronage and provide an education that neither fosters critical thinking, nor teaches technical skills. Barely 7% of Italian graduates have a degree in science, engineering, technology or mathematics, creating a skills shortage in the land of Ferrari, Maserati and Ducati.

As of now, banks form the gravest risk to the Italian economy. Bad loans are a fifth of the Italian GDP. Banca Monte dei Paschi di Siena, the country’s third-biggest bank and the world’s oldest, is sinking fast. *The Economist* points out taxpayers have already bailed it out twice. Besides, the bank has frittered away the €8 billion it raised from share sales in 2014 and 2015. Without adjustments, the bank’s bad debt amounts to 35.5%, and it was 51st out of 51 lenders in European stress tests.

Banca Monte dei Paschi di Siena is just the tip of the iceberg. Most of the country’s banks have been small and local. They function on relationships and are quite politicized. Often, they neglect sound commercial principles and make loans too freely. In the late 2000s, they made one loan too many even as the global economy was gripped by the Great Recession.

Today, many of these loans have soured. However, borrowers have local connections and banks keep lending to support them. The “[extend-and-pretend bailouts](#)” that Yanis Varoufakis damns for pushing Greece into a black hole have been followed on smaller scale by numerous Italian bank managers. Many loans are secured by collateral, but

Italy's lethargic and outdated judicial system makes repossession impossible. As a result, too many Italian banks are bust.

To pass on the buck, Italian banks have taken a leaf out of Wall Street's book. They have sold shares and debt to unsuspecting retail clients at inflated prices. Obviously, they are unlikely to have disclosed risks. Furthermore, such self-dealing was not only legal, but it also had favorable tax treatment until 2011. This means that sinking banks might drown thousands of Italian households who bought bank shares or debt.

Suffice to say, Italian leaders cannot put off economic reform much longer. Political uncertainty is not helping consumer, business or investor confidence. The referendum will dent confidence further and pours cold water on reform efforts for now.

Third, the referendum boosts the *Movimento 5 Stelle* (M5S) or the [Five Star Movement](#) led by Beppe Grillo, a comedian-turned-politician. It weakens Renzi and Italy's political class. M5S literally sees itself as a movement with a focus on five issues or five stars: public water, sustainable transport, sustainable development, the right to internet access and environmentalism. Members of M5S want to replace the patronage and graft of political parties with direct democracy in the form of people controlling the government through constant voting over the web.

Grillo has long played the Shakespearean fool. Many deride him as Utopian and Messianic, but the clown has a method to his madness. [The Economist](#) deems M5S to be "one of Europe's most potent anti-establishment movements." Both Rome and Turin now have M5S mayors. Virginia Raggi, the mayor of Rome, is the first woman to hold that position. Admittedly, she had a [rough start in office](#), but [Raggi sunk Renzi's Rome bid for the 2024 Olympics](#) because it "would bury the Italian capital under mountains of debt and tons of cement."

Renzi may be hyperactive, but he is not a man of originality or ideas. He is far too much in awe of discredited Third Way politicians such as Tony Blair and the [Clintons](#). Even Filippo Sensi, "[Matteo Renzi's king of spin](#)," models himself after Alastair Campbell, Blair's legendary spin-doctor. Like his political heroes, Renzi is strong on image and weak on substance.

M5S rightly argued that Renzi's "[reforms serve to give more power to those who are already in power](#)." [Mario Monti](#), who served as prime minister and as an EU high

official, agreed. Renzi is a classic career politician. He became prime minister at the ripe old age of 39 years and 42 days, beating Benito Mussolini's record to become the youngest Italian premier. He acquired the nickname "*il rottamatore*," which means the destroyer for his rough-house style. Recently, he described himself as "nasty at times, arrogant and maybe impulsive."

In the referendum, Grillo and M5S had a point. Italy has a history of authoritarianism. Benito Mussolini and Silvio Berlusconi did not cover themselves with glory for all their charisma. Renzi was proposing to restrict powers of the senate, the upper house of the national legislature. His reforms gave Rome more power over the regions. In the words of EP Licursi of [The New Yorker](#), "these two changes would give the party in power at the national level almost complete discretion to conceive of and enact legislative measures."

In any case, Renzi has a reputation for being power-hungry and a control freak. Italians joke how Renzi makes more decisions than Berlusconi because he has no young women to distract him unlike the previous premier. Diplomats complain that even minor matters go to Renzi and it is hard to get things done. Behind his liberal façade, Renzi might not be quite as democratic as he makes himself out to be.

More importantly, [The Economist](#) chronicled that many were uneasy with Renzi's reforms because they proposed an unprecedented concentration of power. In its words, "the combination of a weakened Senate, a guaranteed majority and a voting system that still gives party leaders much control over deputies is seen as a recipe for authoritarian democracy." Furthermore, the reforms would have given the prime minister greater say in picking "the president of the republic, a key figure at times of crisis."

Luigi Di Maio of M5S rightly argued that the premise of the referendum was flawed. He noted: "In the three-and-a-half years of this legislature, there has been a law passed every five days. If you introduce a reform, saying we must pass laws more quickly, you are just creating more bureaucracy." The *Financial Times* agreed. It damned [Renzi's reforms as a constitutional bridge to nowhere](#). In the words of Tony Barber, "What Italy needs is not more laws more rapidly passed but rather fewer and better laws."

Despite perpetuating the political status quo and dampening animal spirits in the economy, the referendum is jolly good news for Italian democracy. The constitution

that came into force on January 1, 1948, has failed to create a transparent, efficient or accountable state, but it has certainly prevented the return of fascism. It certainly needs urgent reforms, but Renzi was proposing a cure worse than the disease. Consequently, he is down though not out while M5S is on the up.

Finally, this election puts the EU in choppy waters. European leaders had reposed their faith in Renzi. After all, M5S is Euroskeptic. Italy's banking crisis threatens the entire eurozone economy. EU rules prohibit bailouts unless bondholders take a hit. In Italy, these are "the little guys" who have already taken big hits as the prices of their bonds have crashed.

To quote *The Economist* yet again, Italy's banking crisis is "an exemplar of the euro area's wider ills: the tension between rules made in Brussels and the exigencies of national politics; and the conflict between creditors and debtors." On January 31, this author pointed out how the country that invented modern accounting had adopted the euro through [fudging its accounts](#) with a little help from Goldman Sachs. More than any other country, Italy threatens the euro.

The Italian referendum has put the ball fairly and squarely in Brussels' court. At some point, the EU will have to figure out whether it is an optimal currency union. It might muddle through the [Greek debt crisis](#) despite a comedy of errors, but it cannot afford to get the Italian job wrong.

\*Available online at [Fair Observer](#)



## **A Terrible Tragedy Afflicts Aleppo**

December 18, 2016

*Aleppo marks a new low in the Middle East's own version of the Thirty Years' War where geopolitical rivalries are worsening horrific sectarian strife.*

In the September 25 edition of [The World This Week](#), this author analyzed the reasons for the Syrian Civil War and called it a never-ending tragedy. This week, the savage carnage in Aleppo has made that tragedy insanelly horrific.

So far, Syria had already experienced [barrel bombs](#), multiple massacres, cold-blooded executions, [mass rapes](#) and numerous [chemical weapon attacks](#). Countless children had died, schools had ceased to exist, and hospitals had turned into skeletal structures bereft of medical facilities. Even by gruesome Syrian standards, this week's developments in Aleppo mark a new low in a grim and brutal civil war. The brutality of the ongoing slaughter is reminiscent of medieval times with [human rights abuses galore](#). Many are asking if anyone can do anything to put an end to such barbarity.

The carnage in Aleppo is causing sensitive souls deep distress. At *Fair Observer*, Muhammad Zulfikar Rakhmat and Muhammad Beni Saputra, two young Indonesians, have penned [a plaintive letter to the leaders of the Muslim world](#), exhorting them "to end the horror stories coming out of Aleppo." Maria Khwaja, an eloquent American at the University of Cambridge, has penned "[an emotive farewell to Aleppo](#)," declaring that the world has forgotten about civilians in the city and all of us have failed them.

These writers imply that some or all of us must act to end the tragedy in Aleppo. Without possibly knowing so, they are championing the idea of liberal intervention. At its simplest, this idea is a foreign policy doctrine according to which liberal states should intervene in other sovereign states to pursue liberal objectives. So, what exactly do we mean by liberal?

The word "[liberal](#)" might be a dirty word in the United States but, for most students of politics, liberalism is a political philosophy founded on ideas of liberty and equality. This philosophy is derived from the lofty ideals of the Enlightenment, which include freedom of belief, faith or worship, freedom of thought and expression, right to life and liberty, equality before the law irrespective of gender, race or class, and separation of church and state.

Now, the idea of liberal states intervening to bring about peace, prosperity and the pursuit of happiness sounds like a jolly good idea. Sadly, it turns out that states tend to be self-interested creatures that are rarely liberal. Henry John Temple, or Lord Palmerston, is the chap who first pushed forth this doctrine of liberal intervention. In 1848, he supported the many European revolutions that swept through the continent

and declared that [“the real policy of England is to be the champion of justice and right, pursuing that course with moderation and prudence, not becoming the Quixote of the world, but giving the weight of her moral sanction and support wherever she thinks that justice is, and whenever she thinks that wrong has been done.”](#)

All this sounds splendidly stirring until one remembers that, as early as 1844, Palmerston was accused of [“conquest, murder, and plunder in Central Asia”](#) that included “the bloody occupation of Afghanistan” as well as the “violent annihilation of Sindhian independence.” Today, it is impossible to ignore that this liberal imperialist bitterly opposed Irish independence and ruthlessly crushed the Indian Rebellion of 1857. Palmerston also led his imperial nation into Opium Wars against China for that most convenient principle of free trade. After all, British traders had the sovereign divine right to sell opium to Chinese users and the officials of the Middle Kingdom had no place to object rudely.

Similarly, Tony Blair, heir to Palmerston, indulged in liberal intervention in places like Sierra Leone, Bosnia and Afghanistan. He also acted as [poodle to George W. Bush](#) in the Iraq War of 2003 that was an utter and unmitigated disaster. *The Economist*, a newspaper that opposed India’s independence from 1843 to 1947, [made a strong case for the Iraq War](#) in evocative terms of liberal intervention, reminiscent of Palmerston. On December 17, this venerable publication has yet again made the case for the same idea in the aftermath of Aleppo.

[The lesson \*The Economist\* drew from Aleppo’s tragic fate](#) was that terrible things happen when interests triumph over values. It points out that, during the first protests against Bashar al-Assad, Sunnis, Shias, Christians and Kurds marched together. The Syrian dictator unleashed violence to radicalize his people. Paralyzed by the legacy of Iraq and Afghanistan, the West held back. The risk and complexity of intervention increased as the fighting intensified. As Assad’s goose was about to be cooked, Russia joined Iran to save the vile fellow. The result has been a tragedy of epic proportions.

*The Economist* makes the case that countries, which really means the United States and the United Kingdom, have a duty to constrain brute force. The West must promote freedom and democracy. US President Barack Obama has been wrong in treating Syria as a trap to be avoided. It makes the case that the US must intervene as the global policeman and that it must cultivate “its unparalleled network of alliances.” If the

US steps back, the likes of Russia, China and Iran will rush in to fill the vacuum. The poor and innocent suffer when values fail to hold back the chaos and anarchy of geopolitics.

As usual, *The Economist* makes a seductive point while ignoring inconvenient truths. The US and the UK are not quite Apollonian forces holding back Dionysian urges for the world. As this author pointed out on September 25, the Syrian Civil War is “[a catastrophic conflict of confounding complexity](#).” It was France and Britain that gobbled up Ottoman territory after World War I and introduced Westphalian European-style nation states that are now falling down like Humpty Dumpty.

Even in Europe, the creation of nation states was bloody and brutal. In the Middle East, disparate communities in far-flung regions who had largely lived autonomously were brought under the heel of capitals like Damascus and Baghdad with Stalinist barbarity. Few now remember that Hafez al-Assad and Saddam Hussein were Baathists who belonged to minority communities. Assad was a Shia Alawite who ruled a Sunni-majority state, while Saddam was a Sunni of the Tikrit clan who ruled a Shia-majority state. Supposedly socialist, both these gentlemen were “mafia bosses intent on handing over power only to their sons.”

Both Assad and Saddam were also favored by the West at various points in time. As Roger Morris pointed out in *The New York Times*, [Saddam was a key US ally for years](#) from the days of John F. Kennedy to George H.W. Bush. During the Ronald Reagan era, Saddam was seen as a doughty warrior who kept the radical Iranians at bay in the [1980-1988 Iraq-Iran War](#), the longest conventional war in the 20<sup>th</sup> century as per the BBC. As *Foreign Policy* points out, [the US was quite happy with Saddam conducting chemical attacks](#) and gassing Iranians or even Kurds merrily.

*The Economist* fails to point out that Bush and Blair committed a monumental blunder in attacking Iraq. This publication of 1843-vintage was a rather hyperactive cheerleader for that blunder. Like Niall Ferguson, *The Economist* believes in the moral if not racial superiority of the West and in Palmerston’s idea of liberal intervention. The fact that the US and UK were flouting the United Nations (UN), a body that they themselves created after World War II and where they have penned the rules of the game, was staggeringly stupid. Besides, attacking Iraq after years of supporting Saddam on the claim that they would bring freedom and democracy to Iraq sounded suspiciously similar to Palmerston’s case for the Opium Wars.

The invasion in itself was bad enough. What followed thereafter was dire. Instead of bringing democracy to Iraq, the US and the UK brought [torture](#) and disaster to the country. Retired diplomats of the US State Department and former spies of the Central Intelligence Agency (CIA) now tell how doctrinaire neoconservatives deemed old hands who spoke Arabic as contaminated by the natives. As this author pointed out in the September 11 edition of [The World This Week](#), “hyped-up Harvard Law School bigwigs who specialize in Jewish and Israeli law” cooked up Iraq’s delectable new constitution that made remarkably idiotic assumptions and had no understanding of ground realities.

It was arrogant and ignorant US diplomats who came up with the terrible idea of de-Baathification. In Saddam’s Iraq, membership of the Baath party was *de rigueur* for almost any job. Getting rid of all Baathists meant that the post-Saddam, US-led Iraq fired teachers, gardeners, fire fighters and others who provided essential services. In 2013, 10 years after the US-UK invasion, Miranda Sissons and Abdulrazzaq al-Saiedi published an article on Al Jazeera which argued that “[de-Baathification still haunts the country](#).” Landon Shroder, an American security consultant who spent years in Baghdad, has consistently argued at *Fair Observer* that “[without the US invasion of Iraq, there would be no Islamic State](#).”

It is not that all this was unforeseeable. Observers of the region were well aware that states like Syria and Iraq were artificial colonial entities held together by blood and iron. Under Assad and Saddam, [incarceration, torture, massacres, chemical weapons et al](#) were all par for the course. It was obvious that revolts, rebellions and revolutions were inevitable. When the US and the UK were marching in, many soldiers, diplomats and intelligence chiefs warned that things would get messy very quickly.

In fact, so did many world leaders. Stephen Wall, an adviser to Blair, [recounts Jacques Chirac telling Blair at an Anglo-French summit in 2003](#): “First of all, war is a pretty nasty thing. I was a young soldier in Algeria. I know what it is like. Secondly, if you go into Iraq, you will not be welcomed. Thirdly, there will be a civil war. Fourthly, a sheer majority is not the same thing as democracy.” Wall goes on to remember that Blair rolled his eyes at that time and remarked, “Poor old Jacques, he doesn’t get it. Does he?”

As Wall now admits, Chirac got it rather better than Blair. The civil war that Chirac presciently predicted has spread from Iraq to Syria. After all, the national identities in both these countries were always tenuous outside their capitals. Borders were arbitrary and sectarian strife was bound to cross them. Now, strife has engulfed the Middle East and is a recurring reminder that civilization is often a rather thin veneer.

*The Economist* forgets that human beings can be vile and vicious in pursuing both interests and values. Just as Russia has been cynical in supporting Syria, Americans were doctrinaire in invading Iraq. This is what Rakhmat, Saputra, Khwaja and others like them need to remember. The world generally does not care about the suffering of people far away. Most people are rather stingy about their time, money and energy. Furthermore, they can often do little to ameliorate that suffering in the short term. Even when they act, they can do more harm than good. Actions become even more difficult when people are fragmented along religious, regional, linguistic, economic and national lines. This makes working toward a common purpose, howsoever noble, exceedingly difficult. [Tackling climate change](#) is a case in point.

In any case, much of the world is intervening in Syria. That is a key part of the problem. Bashar al-Assad commands a ragtag army now. He has retaken Aleppo thanks to Iranian-backed militias and Russian airpower. As a result, Assad now controls the west of the country, its Mediterranean coastline and its major cities. This “essential Syria” or “rump Syria” is vital for Russia and Iran. In fact, [Russia is building a permanent naval base in Syria](#) at Tartus where its fleet can sail down from Sevastopol in Crimea, its only warm water port. Iran wants to expand its influence by creating a “[Shia crescent](#)” all the way from Tehran to Beirut. As Justin McCauley brilliantly points out, Iran “[has formed a kind of Shia Comintern](#)” to project power abroad.

Naturally, Sunni powers like Saudi Arabia and Turkey are not thrilled about Russian and Iranian plans. They have been aiding rebels in Syria for a while. It has been an open secret that [some Saudi money made its way to the Islamic State](#) (IS). A little more than two years ago, [Turkish tanks idled as IS attacked Kobane](#), a Kurdish border town in Syria. This made many suspect that Turkey was turning the Nelson’s eye if not actively aiding IS.

Tied down in Afghanistan and Iraq, Uncle Sam could not afford to send its exhausted troops to Syria as well. So, [it backed so-called moderate rebels](#). This backfired spectacularly with moderates decimated both by loyalist troops and jihadist groups.

Now with Donald Trump & Co. waiting in the wings, the retired generals and former corporate bosses will have to reconcile their love for Vladimir Putin and Russia with their hatred for Iran and its nuclear deal.

Assad's victory in Aleppo is likely to be Pyrrhic. From now on, rebels [might focus on hit-and-run insurgency](#) instead of on holding territory. Many like Abdulkafi al-Hamdo, an English teacher in Aleppo, [prefer death to life under the Assad regime](#). As Hamdo eloquently said: "Put yourself in my situation. Someone killed your children, killed your neighbors, killed your friends, destroyed your schools, houses and hospitals. And after that, you can go back to him?"

In the May 22, 2015 edition of [The World This Week](#), this author stated that "the Middle East was experiencing its own version of the Thirty Years' War." Aleppo marks a major battle in that raging war that tragically blights our times.

\*Available online at [Fair Observer](#)



## Protests in Poland for Freedom and Democracy

December 25, 2016

*Poles protest as their conservative government dilutes the independence of the country's institutions and puts fetters on the press.*

This week, much of the world was agog over Christmas, a day when a child was born in the modern-day Palestinian town of Bethlehem. When the child grew up, the Romans supposedly nailed him to a cross and he died. This Palestinian was not one to go down quietly though. Having walked on water before, he rose up from the dead and the rest, many would say, is history.

Agnostics from sinful pagan cultures may not believe in Jesus or that he ever existed, [but even they like certain elements of the story](#). After all, turning the other

cheek is not an entirely useless idea. It may not work all the time, but [Mahatma Gandhi](#) did pull it off against the biggest empire in history.

Christmas has not always been peaceful though. In 1989, a [firing squad shot dead Nicolae Ceaușescu and his wife](#) for crimes against the state. Ceaușescu had been president for 21 years and a rather bloody one. So, many Romanians saw his death as deliverance from the communist Satan.

It was on Christmas that [Mikhail Gorbachev resigned in 1991](#), breaking up the Soviet Union. Many Christians see the death of Ceaușescu and fall of the Soviet Union as divine comeuppance for a godless society. For many Americans and far too many evangelicals, communists were [evil incarnate](#), and it was only natural that the “[evil empire](#)” should fall on Christmas.

This week, Jesus is smiling rather kindly on Wall Street if not the rest of the United States. Stocks reached [record highs](#) and the dollar rose to a 14-year high. Oil prices also soared to a [17-month high](#). Many investors are euphoric after [Donald Trump's victory](#). His promise of tax cuts, infrastructure spending and deregulation is sweet music to their ears. Happy days might be here again.

Unfortunately, Damascus residents are unlikely to see happy days anytime soon. Rebels polluted the water with diesel and authorities had to [cut off supply](#). Despite the discomfort of Damascus denizens, the Syrian regime had a lot to cheer about. [Russians](#), Iranian militias and Hezbollah are helping them hammer rebels even as [US forces help Iraqi troops retake Mosul](#) from the Islamic State.

It is certainly an eventful time before Christmas. Yet it is Poland that takes center stage this week. On December 22, Jaroslaw Kaczynski, the big boss of Poland's ruling party, mocked an inquiry by the European Union (EU) into the state of Polish democracy as “[an absolute comedy](#), because there is nothing going on in Poland that contravenes the rule of law.”

The EU inquiry is a “[long fall from grace](#)” for Poland. This heroic nation played a mythical role in opposing Soviet-style communism. Brave Lech Wałęsa inspired Solidarity, a trade union of workers in Gdansk's shipbuilding plant, to strike against the dreaded communist regime. The year was 1980. Ronald Reagan and Margaret

Thatcher were leading their Anglo-Saxon democracies. Capitalism was good. Communism was evil. Solidarity was proof of that fact.

At home, Solidarity became the lightning rod for the national will of 10 million Poles who wanted cultural, economic and political freedom. Wałęsa emerged as a unifying leader who transformed a trade union into a mass movement that would ferociously oppose the communist regime until it eventually collapsed.

In the eloquent words of Adrian Karatnycky, Wałęsa was “an electrician with the common touch” who exhibited “leadership, wit and the capacity to work” with Poland’s best minds for the freedom of his country. The electrician rallied “the lathe workers, the stevedores, the miners, and the railwaymen” in plainspoken Polish to “shut down the self-declared workers’ state.” Poland’s communist regime never quite recovered from the body blow Wałęsa struck. A decade of mass protests and industrial strikes followed.

Outside Poland, a favorite son was making waves around the world. In 1978, Karol Józef Wojtyła became [Pope John Paul II](#) and many give him much credit for the fall of communism. John Paul II’s charm, charisma and nonstop travel made him a global celebrity. For centuries, the Polish Church has been “a bastion of spiritual power” and home of resistance as Poland has suffered “humiliations and partitions.” Unsurprisingly, the Polish pope turned out to be a canny and formidable foe to communism.

In 1979, Wojtyła or John Paul II rocked up in Poland to a rock star’s reception. Church bells rang when he landed in the country. He crisscrossed Poland, “deluged by adoring crowds.” John Paul II preached 32 sermons in nine days and millions poured out on the streets to listen to him. He “spoke of human dignity, the right to religious freedom and a revolution of the spirit.” It is fair to say that the Polish pope stirred his nation’s soul.

Some regard John Paul II’s 1979 visit as the touchpaper that sparked the Solidarity revolution and changed the course of history. Oxford historian Timothy Garton Ash once remarked, “Without the Pope, no Solidarity. Without Solidarity, no Gorbachev. Without Gorbachev, no fall of Communism.”

As with all stories, the ones about Wojtyła and Wałęsa are only part true. Wojtyła might have been charismatic, but he was fundamentalist when it came to [abortion, contraception and euthanasia](#). For him, these promoted a “culture of death” and the “contraceptive mentality” was “evil.” As John Paul II, Wojtyła urged abstinence and marital fidelity to stop the spread of AIDS, and he [forbade condoms](#). At a time when the HIV epidemic was raging in many parts of the world, his sanctimonious moral position led to many avoidable deaths. Wojtyła also turned a Nelson’s eye to rampant child abuse in the church. Critics still maintain that the late pontiff was “[no saint but a man who covered up sin](#).”

Like Wojtyła, Wałęsa was an imperfect human being with warts and all. From 1990 to 1995, he was an ineffective president who “fell out with most of his former union colleagues.” Instead of independent and intelligent advisers, Wałęsa preferred “card-playing, incompetent sidekicks.” It is largely thanks to Wałęsa’s incompetence that former communists returned to power. Yet more damaging news has emerged. In the 1970s, before Wałęsa became the great worker-leader challenging communist apparatchiks, he was an informant for the communist security services.

Simple-minded Americanos who glamorize Poland and see life as a Manichean struggle between good and evil beware. Adam Michnik, a powerful Polish intellectual, rightly pointed in a classic 1997 article that “[gray is beautiful](#)” in his analysis of democracy in formerly communist Europe. Even in places like the US, Britain and France, “moral ambiguity and moral compromise are part of the give and take of democracy.” Yet it is also true that there are darker shades of gray, and Poland is slipping into them.

On October 25, 2015, the Law and Justice party won the parliamentary elections in Europe’s sixth largest economy. Led by Jarosław Aleksander Kaczyński, the party is socially conservative and Euroskeptic. He is the brother of the late Lech Aleksander Kaczyński who served as president from 2005 to 2010, [dying in a plane crash in Russia](#) along with many of the country’s top leaders.

Kaczyński aims “[to complete what he sees as the unfinished revolution of 1989](#).” He wants to cleanse Poland from corruption and the influence of aging former communist apparatchiks who took over again once Wałęsa failed. Therefore, he is changing personnel in supposedly independent institutions such as the security services, [the](#)

[constitutional court](#), the civil services and public broadcasting. Kaczyński is not terribly fond of Germany, which is understandable given Poland's tortured past.

The conservative leader does not like migrants either. Apparently, they carry “various diseases” and he vigorously opposes plans by the EU to relocate refugees in his country. In some ways, Kaczyński is only reflecting public sentiment in a democracy. In 2015, thousands of Poles [marched in many](#) cities chanting “Today refugees, tomorrow terrorists!” and “Poland, free of Islam!” Yet Kaczyński does not just reflect anti-immigration sentiment. He stirs it.

As of 2015, up to 2 million Poles lived in other EU countries. Remittances from them benefit the Polish economy significantly. When it comes to immigrants, [Poles are nervous](#). In a June 2016 study, the [Migration Policy Institute](#) found that Poles have many fears when it comes to outsiders. “Cultural fears based on a loss of control over the markers of one's identity” and “social fears stoked by rapid change following an influx of newcomers” haunt many Poles. Of course, they also have “economic fears about the distribution of public resources” and “political fears ... that supranational bodies are eroding national sovereignty.”

Poland is not alone in suffering from such fears. Since 2010, Hungary has placed its trust in Prime Minister Viktor Orbán, a [right-wing leader](#) who finds “migrants” to be poison and frets about the threat to Europe's “Christian roots.” In May, Austria nearly elected Norbert Hofer, a [far-right leader](#), as president. Britain has opted for Brexit, the US has voted in Trump and France is flirting with Marine Le Pen. In Russia, Vladimir Putin has tightened his iron grip on power and Turkish President Recep Erdoğan is following suit. This is certainly the age of “[the global rise of the far right](#),” and the heroic Poles are proving to be no exception to the zeitgeist.

Yet not all Poles are fans of the Kaczyński regime. This staunchly Catholic country is still haunted by Wojtyła or Saint John Paul II. In October, 100,000 demonstrators, mainly women, took to the streets to protest a near-total ban on abortion that parliament was close to passing. In the words of the [BBC](#), “abortion is already mostly banned.” They are only allowed in case of “severe and irreversible damage to the fetus, a serious threat to the mother's health, or when pregnancy is the result of rape or incest.”

As invariably happens when such bans are put in place, illegal abortions have shot through the roof. Conservatives estimate them to be between 10,000 and 250,000. For many conservatives, even this ban was not enough. They wanted a total ban, including in cases of rape and incest. The Catholic Church that once jailed Galileo Galilei and burnt Giordano Bruno heartily approved. In the face of protests, both clerics and politicians retreated, but the tussle over abortion captures the deep divides in the nation.

Early this month, Poles marked the anniversary of the 1981 imposition of martial law with marches. Thousands showed up in the streets to protest against the conservative government. [Kaczyński denounced the opposition](#) as “anti-state.” Ironically, many members of the ruling party were once members of the Solidarity movement that the communists denounced similarly and set out to crush in 1981.

The protests have continued in the festive season. On December 18, crowds gathered outside the presidential palace and then marched to the parliament. They were calling for [press freedom](#) and protesting “government plans to restrict journalists’ access to parliament.” In parliament, the opposition blockaded the parliamentary plenary chamber, forcing the government to vote in another room on the 2017 budget. It is the first time since 1989 that the budget vote took place outside the main chamber of parliament. Kaczyński accused the opposition of [breaking the law](#), and his interior minister has gone further and accused it of “[attempting to stage a coup](#).”

Poland was long held up as a model for transformation from communism to democratic rule. Now, it is triggering fears in other European capitals that it is sliding into authoritarianism. The EU has opened a formal inquiry into the rule of law in Poland. Polish nationalists see this as overreach by pesky unelected bureaucrats in Brussels. Wałęsa, the old warhorse, wants Brussels to “[throw Poland out of the EU](#).”

Kaczyński and Wałęsa are former comrades who have turned into bitter rivals. Kaczyński sees the former Solidarity boss as a man with “great intellectual deficits, character defects and a terrible past.” He blames Wałęsa for “a deal that allowed the communists to exchange political power for being allowed to hang onto their economic gains.” Poland grew rapidly but left behind too many people. It is these losers of the transformation to capitalism that support Kaczyński. The conservatives won both the presidential and parliamentary elections promising generous social spending.

In some ways, Kaczyński is quite like the old communists he once fought. He is an authoritarian paternalist leader who wants the state to deliver more welfare in exchange for less dissent. The big difference perhaps is that Kaczyński prefers Jesus and the Bible to Karl Marx and *The Communist Manifesto*. In 1849, a Frenchman cleverly remarked, “the more things change, the more they stay the same.” Even as protesters march for freedom and democracy, Jean-Baptiste Alphonse Kerr’s words ring true.

\*Available online at [Fair Observer](#)

