

WAKE UP!! IT'S YER RARELY CREDIT WORTHY...

# SchNEWS

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BANKER IN RESCUE DRAMA

I'D REALLY SUGGEST YOU START BAILING OUT, CAPTAIN. PAY ME ENOUGH AND I MIGHT BRING YOU BACK A BUCKET...



# DEBTS THE WAY TO DO IT

AS SCHNEWS RASHLY TAKES ON THE CREDIT CRUNCH AND THE FUTURE OF GLOBAL CAPITALISM

**“Whoever is to blame for this week’s scenes on world stockmarkets, only the most churlish anarchist would welcome them.” - the Guardian, 1st October 2008.**

Blimey... you spend 15 years struggling against global capitalism and then the bloody thing collapses of its own accord. Building societies, banks and all manner of financial institutions are going to the wall.. City wide-boys, hands bloody from their ruthless assault on the world’s poor, are flinging themselves in front of trains – and nobody’s had to lift a finger – let alone throw a Molotov.

Since our report on the welfare state for business (SchNEWS 647) western governments have continued throwing infeasibly large amounts of money at the free-falling financial markets.

‘Meltdown Monday’ was only the start (Traumatic Tuesday, Woeful Wednesday etc) as here in the UK, Bradford and Bungly went belly up and had to be nationalised – well it’s massive debts did anyway with Spanish bank Santander, already owners of Abbey, encouraged to pick up the best bits of B&B for a song. Halifax nearly collapsed and had to be sold to Lloyd’s bank – forget the monopoly issues just keep the sinking ships afloat!

Over in the States, Bush and his cronies are desperately trying to get through a whopping \$700 billion bail out bill to shore up confidence in a financial system teetering on the edge. They failed initially, leading to further market plummets before persuading Congress to approve a revised deal this week (being voted on by the House of Representatives today).

The nattily named credit crunch appears to be getting more and more bite, so what’s it really all about?

The explanation tossed around by most mainstream media tells us that it’s due a rash ‘sub-prime’ mortgage lending – OK, but if you want to understand why it’s knock on effects are so threatening to the system it’s

actually a little more complicated.

The comparative economic boom (ridden with such self-congratulation by the ‘golden’ chancellor at the time...er, a Mr G. Brown) since the last recession in the early 90’s has been based on massively increasing levels of debt. Not just individual consumers spending their way to prosperity on credit cards, but banks, all the other types of financial institutions, corporations and governments.

Household debt has increased from 50% of GDP in 1980 to 100% in 2007. Financial sector borrowing has gone from 21% to 116% of assets in the same period. In fact, a chief cheerleader of the brave new financial world was the former boss of now bust Goldman Sachs – one Henry Paulson. He took them from \$20 billion in debts in 1999 to \$100 billion when he left. Having helped cause the crisis, and getting rich off it, he’s now the man putting forward the bail out plan as US Treasury Secretary. Despite self-imposed limits, Governments have also ramped up their debt levels – achieved by privatising everything in sight and putting all the deals ‘off balance sheet’ (thanks, Gordon!)

So lenders now routinely now lend out more than the total assets of the company. It was all made possible by massive deregulation, the completion of the project started in the Thatcher / Reagan free market era, as big business and their lobbies finally succeeding in getting politicians completely in their pocket, and indeed direct pay. Light touch regulation gave way to feather light.

The confidence of banks to throw ever more cash around was underpinned by the invention of the Credit Default Swap (CDS) market. This allows organisations exposing themselves by loaning out money to buy a kind of insurance against a default on that loan. In return for paying small regular premiums, priced depending on the perceived risk of default, that organisation could think of itself as no longer exposed to any risk, able to reduce any provisions put aside in case of default (so called ‘bad debt’) – and therefore free to lend out even more cash.

A culture of risky, unsound lending was thus created. To make things worse, all these

*Continued overleaf...*

## PRODUCING THE GOODS

Protesters staged two days of protest last weekend, including a mammoth 12 hour blockade, at the UK HQ of Carmel Agrexco as part of the Boycott Israeli Goods Campaign’s week of action against the sale of Israeli goods in the UK.

Carmel, 50% owned by the state of Israel, sell fruit and vegetables exported from illegal settlements on occupied Palestinian land and Palestinian workers are paid poverty wages to labour on land which previously belonged to their communities. The company has been the focus for a number of successful actions over the last few years (see SchNEWS 637).

At 3:30 am on Saturday 27th October 2008 activists driving tipper lorries arrived at Agrexco’s depot in Middlesex and left two piles of rubble outside the main gates of the depot. These mounds of rubbish were to symbolise the earth-mounds and roadblocks left all over Palestine by the Israeli military to prevent Palestinian access to farmland and settler only roads.

On Sunday 28th October at 5am another group of campaigners erected a metal cage outside the main gate outside. Four people locked-on inside the cage while one person locked the second gate. The depot was completely shut down for 12 hours with dozens of lorries transporting Agrexco products to the supermarkets backed up around the industrial estate. Agrexco’s staff lounged around in the sun unsure what to do.

Despite the police normally being only too keen to arrest activists on any number of spurious charg-

es (see SchNEWS 1 – 648), arrests at Agrexco have been noticeably rare, and so far there hasn’t been a single conviction. This is because the company won’t participate with prosecutions because they fear that the illegality of their dealings with Israeli settlements would come under scrutiny.

When the Met arrived they had obviously been briefed not to arrest campaigners and they ended up keeping a low key presence throughout the day. They were obviously not paying too much attention as half-way through the day the protestors who hadn’t locked on to the gates originally were able to relieve those that had and take their places in the bike locks.

Eventually, though, the desire for a nick got too much for one officer and in a desperate move one person was arrested for ‘Obstruction of the Highway’ despite the fact that he er... wasn’t on a highway. The activist was kept in a cell overnight and didn’t get released until after appearing in court at 3pm on Monday.

Elsewhere, Palestine solidarity campaigners around the country held demonstrations outside supermarkets calling for a boycott of Israeli goods. In Brighton some discontented shoppers took all of the frozen Israeli goods out of the freezers and left them in the aisles while in North London a group called Jews for Boycotting Israeli Goods held several pickets under the banner ‘It’s kosher to boycott Israeli goods!’.

\*For More info see [www.bigcampaign.org](http://www.bigcampaign.org) or email [boycottagrexco@riseup.net](mailto:boycottagrexco@riseup.net)

## COP ARREST OF THE WEEK

**For not losing yer bottle...**

A vintage nicking this week. The credit crunch has claimed 2 more victims with the arrests this week of two senior Sussex Cops for shoplifting wine from Marks and Spencer’s.

Detective Chief Inspector Jim Torbet and Chief Inspector Sharon Rowe were nabbed by a security guard as they made their escape without paying for their vino.

The latter day Bonnie and Clyde have now been suspended from their jobs, which is just as well because Jim Torbet’s position in the professional standards department would have meant him having to investigate his own misconduct, leaving a no doubt sour aftertaste.

**INFORMATION FOR ACTION**

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debt contracts are traded, and indeed speculated on. They change hands multiple times as different people estimate their current value and risk differently. A tasty profit opportunity for canny get-rich-quick investors, but difficult for buyers removed from the original business to assess what they'd really bought.

In effect this all meant that many billions of debt could be considered assumed by people only having to put up in hard cash a tiny percentage of that figure. No problem as long as house prices, shares, bond prices etc all kept rising and more debt could be given out cheaply and easily to anyone who might otherwise be close to default. A debt mountain was gradually accumulated. In 2008, the amount of debt in the CDS market is estimated to be more than \$50 trillion. That's over twice the value of the entire US stock market.

Confidence started to collapse as the risks of sub-prime default got reassessed and foreclosure and bankruptcy rates started to climb. Banks panicked and realised they were caught in a kind of pyramid scheme. If people started defaulting in numbers nobody would have enough cash to pay out. The availability of cheap CDS contracts dried up and banks refused to lend to each other, wary that anyone of them could under at any time. The cost of servicing the CDS exposures left up, to the point where banks like Goldman Sachs and Bradford & Bingley couldn't afford them and, unable to just borrow more to cover it, went swiftly bust. As credit availability goes down, the levels of debt exposure now threaten to bring down all types of companies, wrecking the economy from all sides at once.

Facing meltdown, governments have been forced to step in to avert complete collapse of

the system. But it won't work in the long term as they're effectively giving a blood transfusion to a badly haemorrhaging patient. The bail outs may buy some more time - gambling taxpayers money for years to come on a high risk strategy financed through yet more debt (China and India have been helping by buying up US govt bonds, leading some to wonder whether this will see a further shift in the balance of economic power, but it's all interconnected baby!) - but the fundamental flaws of capitalism will remain and bleed everyone dry in the end. In fact, the hand outs will just ensure that it's the same old elite who will get richer as the system creaks on to its inevitable demise - it's just a question of how long (end of the world in 2012 anyone?).

## BACK IN THE REAL WORLD

In the meantime, what will it all mean for the average SchNEWS reader in the street? What's gonna happen next?! If you're poor, lacking large debts, a mortgage, share portfolio and high paying job, you might even enjoy the ride.

If the credit crunch triggers a full-blown recession we're going to see a surge in repossessions of houses. Squatters paradise! The number of endless yuppie flat developments and ego-driven showpiece towers will plummet. Less 4x4s, less sports cars. The consumer slowdown will be good for the environment - economic collapse is the only realistic way of reaching those carbon emission targets! On the down side there'll be less food available for looting from skips as bargain hunting shoppers clear out the aisles, but local food production will have to increase.

As the job queues swell, access to social services will become less punitive. When you're one of three million as opposed to one

of 300,000, there's only so much hassle at the dole office to go round.

The wave of depression should throw up new political opportunities. For a long time in the developed west, the majority of the opposition to capitalism was essentially moral. Fair trade and charity was thought good enough to stave off the guilt of being disproportionately wealthy. But as the spoils of globalisation become increasingly only available to a smaller and smaller elite, interest in alternative ways of doing things should also increase.

Recent events have shown capitalism is a hothouse flower - it has to exist swaddled in a life-support system of regulations and laws protecting private property, allowing corporations to exist. Most importantly it requires the state to be a lender of last resort.

Despite the endless free market rhetoric we've been forced to swallow since the Thatcher era - the government has always functioned as a welfare state for the rich. This life support system has been filtering the real wealth upwards in society for years but now it's all out on the open as the bankers stretch out their begging bowls.

It's now been demonstrated to all and sundry (who'd previously not been reading SchNEWS) that the 'free' market is no such thing. Pundits might spew about 'irresponsible' lending and try to pin the blame on a few bad apples but in fact all the markets were doing is what markets are supposed to do - chase after the largest amount of profit in a single-minded ruthless way - and human beings are just a minor obstacle in that pursuit.

Perhaps as times get tougher, people might finally get it together to demand more fundamental changes - and not leave the super rich in charge of it.

## UNRU-LY

A Royal Navy recruiting team at Sussex Uni Fresher's Fair were left sunk without trace after a devastating broadside from a gang of clowns.

On finding out that the University Navy Recruitment Unit (UNRU) were planning to press-gang a crew of impressionable first years, several students clowned up and, shouting 'No More Wars' through a megaphone, marched up to the stall and bombarded it with paint and confetti.

One of the clowns told SchNews, "UNRU are an essential part of militarising society, our university is a place of education not war games."

According to one (probably) guilty bystander, several members of the crowd proceeded to challenge the stall on their role in militarising society and making this governments wars of imperialism possible.

## FUR FLYING

In the spirit of goodwill to all kinds, 300 birds were released from their prisons in two separate actions by the ALF recently. In one raid in Hereford, people spirited away 250 chickens from a factory farm. The other raid in Somerset saw the release of 50 turkeys destined for Xmas dinner.

This comes on top of a wave of sabotage attacks on vivisection targets, farm machinery and Barclay's bank ATM s across the south of England (that's one run on a bank not reaching the mainstream press...)

\* Meanwhile, Italian liberationists attacked two mink farms, freeing 6,000 mink between them. On the Sep 23rd, activists cut the fences of a huge farm outside Vicenza, allowing 3,000 furry creatures go free for the first time in their lives. The next day saw a similar raid outside Verona, where another 3,000 were freed.

## EAT & RUN

Hunt sab Benefit Roast - Sunday 5th October 2pm onwards. Bar open. Cowley Club 12 London Rd Brighton.

## ...and finally...

Delegates at a paranormal conference were happy to hear 'incontrovertible' dramatic eye-witness testimony of recent UFO activity in the skies around north Dublin and Meath, Ireland.

Exhibit A was some footage taken by a local cop on his camera-phone of a triangular shaped image, with lights at each point, which appeared to send a red laser-type light towards earth, drawing gasps of amazement from the 70 or so conference delegates. The same mysterious apparition was also witnessed by a local councillor.

Mr Nally, conference organiser and author of 'Conspiracy of Silence' is in no doubt as to the importance of the film: "This is what the sceptics are crying out for. What all this footage has in common is that trained observers, honest people, took it. What better could you get than a senior garda and a politician and a pilot," - which suggests the Mr Nally at least should spend more time on this planet.

SchNEWS for one does not yet welcome our new alien overlords - although they could perhaps help get the credit crunch off the front pages...

### Disclaimer

SchNEWS warns all readers - we'll get the inflation of our front pages under control. Honest!

## DAWN OF THE DREAD

The recent opening of Cabot Circus, a new mega mall in Bristol, proved that despite the collapse of global capitalism, there is still the will to spend money you don't have on things you don't need.

In response to the creeping "over-consumerisation and the homogenisation of city centres", activists turned up to the grand opening... as a shambling zombie horde. They said, "In recent times government & commerce tried to turn us

into mindless consumers - time to show them what horrors their policies have spawned."

Around 40 people in full undead regalia invaded the centre. Their drooling and gurning bewildered security and police, it not yet being illegal to possess a sense of humour.

Possibly the only action ever when being on ketamine would be a good idea! See for yourself at [www.youtube.com/watch?v=9e5CkbUc\\_gs&feature=related](http://www.youtube.com/watch?v=9e5CkbUc_gs&feature=related)