

One of the primary causes for the financial collapse Jain cites is that America is not aware that its current economy is no longer based on capitalism, but joint-capitalism. Joint-capitalism is defined as the joint control of the country's economy by both private capitalism and the government.

Melissa Brown Levine
for
IP Book Reviewers

BETRAYAL OF AMERICANISM

The Cause of Financial & Economic Crisis

Joint-capitalism Another Name of Americanism

by
Hem Raj Jain

DragonEye Publishing

**Betrayal Of Americanism -
The Cause of Financial & Economic Crises /
Joint-capitalism Another Name of Americanism**
Copyright © 2010 by Hem Raj Jain

All rights reserved. No part of this book may be reproduced by any means or in any form whatsoever without written permission from the Publisher, except for brief quotations embodied in literary articles or reviews.

Cover Design by Michael J. Kiser

First Printing October, 2010
ISBN 13: 978-1-61500-004-3 (Trade Paperback)
ISBN 10: 1-61500-004-6 (Trade Paperback)

Library of Congress Control Number: 2010937401

Other formats available
E-Book version December 2010
ISBN 13: 978-1-61500-005-0 (E-Book Version)
ISBN10: 1-61500-005-4 (E-Book Version)

Visit our website www.DragonEyePublishers.com

Published by DragonEye Publishing

CONTENTS

1 Foreword

PART - I

3 CHAPTER - 1 Introduction

8 CHAPTER - 2 Joint-capitalism

PART - II

The Financial Crisis of 2007

17 CHAPTER - 3 Fallacies About Causes of the
Financial Crisis of 2007

25 CHAPTER - 4 Disregard to ‘right to property’

29 CHAPTER - 5 Disregard to ‘free competitive market’

31 CHAPTER - 6 Disregard to ‘pre-eminence of labor’

38 CHAPTER - 7 More Causes of the financial crisis
of 2007

46 CHAPTER - 8 Complacency generating a plethora
of unnecessary laws.

48 CHAPTER - 9 Timely warnings also wasted

59 CHAPTER - 10 Failure of democracy

64 CHAPTER - 11 Disregard to responsibility of
Globalization

Betrayal Of Americanism

The Cause of Financial and Economic Crisis

Foreword

Author Hem Raj Jain writes candidly about the collapse of the United States financial industry in *Betrayal of Americanism: Joint-Capitalism another Name of Americanism*. Jain takes the reader through a series of factors that he believes were the foundation of the 2007 crisis. Jain also offers solutions; steps that he believes the United States government and its people can take that will pull the country out of its current crises and on to a stronger economy.

“...Americanism...has been betrayed by Americans...who will not come out of this crisis unless they revert back to Americanism in spirit and especially in their conduct (p. 6).”

Jain states that Americanism, a collection of values and beliefs about economic and political power as well as human values, is comprised of twenty-four elements including joint-capitalism, free competitive market, patriotism, democracy, environmental protection, and human rights among others.

One of the primary causes for the financial collapse Jain cites is that America is not aware that its current economy is no longer based on capitalism, but joint-capitalism. Joint-capitalism is defined as the joint control of the country's economy by both private capitalism and the government.

This is a highly opinionated piece. Jain writes not only about the 2007 financial crisis, but also about the American culture. Jain offers his perspective on the bail outs of the financial industry and what he calls the “fallacy” of sub-prime lending. He also looks at the historically high post-recession unemployment rate in America and determines that the U.S. government can turn this around by establishing an “Employment Guarantee Program (EGP)” which, among other things, could construct homes that senior Americans could rent, thus insuring that they would have housing during their golden years.

The author is a native and current resident of Rajasthan, India. Three of his four children live in America, hence is interest in the current United States economy. Jain has experience in engineering, law, politics. Beyond the financial crisis, the author also shares his ideas about illegal immigration and the United States' failure to solve this problem; he comments on global

Betrayal Of Americanism The Cause of Financial and Economic Crisis

nuclear disarmament, universal health care, as well as the pending erection of the mosque in New York near the site of the 9/11 attacks. To support his arguments, Jain cites both print and online resources that are collected in the back of the book. According to the author, this book represents a summary of the issues that lead to the 2007 financial crisis and was written as such so that the book could be published prior to the 2010 elections in the U.S.

Betrayal of Americanism is a forthright look at the economic and social troubles of America from the point-of-view of a member of the global community. It is a challenging, edgy view of the problems that the U.S. government and its people face with solutions that would require an adjustment to the collective perspective of the American people to incorporate. Jain's take on the American culture is very much that of one on the outside looking in. Some of his suggestions about solving unemployment and housing issues and points he makes on the racial climate and issues of class in America would be questioned by many Americans with strong beliefs about this country. Perhaps that is the reason a book like this is important: it ratchets up the debate over the future of the United States and encourages readers to study more diligently the solutions that will lead America to a higher glory or possibly cause further destruction.

Melissa Brown Levine

Betrayal Of Americanism
The Cause of Financial and Economic Crisis

CHAPTER - 1

Introduction

The on-going economic crisis of the United States triggered by financial crisis of 2007 started by sub prime crisis, has engulfed the entire world in it. Hence it is natural that the best brains (intellectuals) of not only the United States but also of the entire world are trying to find out the solution to this economic crisis. But these well-intentioned people have neither succeeded so far nor are likely to succeed in the near future. This for the simple reason that of late Americanism - which brought not only so much economic and military power to the United States but also respect and love for Americans in the entire world - has been betrayed by Americans and who will not come out of this crisis unless they revert back to Americanism in spirit and especially in their conduct.

There is a difference between Americans and Americanism.

Americans is sum total of an American, which is simply a legal term and applies to whosoever is the citizen of the United States.

Americanism or for that matter any 'ism' is the aggregate of the traits, beliefs and values of the people who develop this 'ism' to the extent that it becomes powerful not only in the field of hard power (economical and martial power) but also in the field of soft power (political power and various ideas and mechanism for realizing human values) that it can be adopted world over by other people, wherever and whenever other people consider it worth emulating. In other words

Americanism, although developed by Americans, can be and is being and will be adopted by non-Americans too.

Betrayal Of Americanism The Cause of Financial and Economic Crisis

There are other essential elements of Americanism but the essential 24 elements of Americanism - developed and practiced by Americans during their history, which are directly connected with financial and economic crisis, are given below:

- 1) Joint-capitalism
- 2) Free spirit
- 3) Mobility
- 4) Right to property
- 5) Spirit of inquiry and Innovation
- 6) Sanctity of contract
- 7) Pragmatism
- 8) Pre-eminence of labor
- 9) Free competitive market
- 10) Prosperity
- 11) Fair play
- 12) Sovereignty
- 13) Globalization
- 14) Patriotism
- 15) Individualism with Community feeling
- 16) Democracy
- 17) Rule of Law
- 18) Ideological State
- 19) Non-racial
- 20) Town Planning
- 21) Environment protection
- 22) Anti-WMDs
- 23) Human Rights
- 24) Welfare State

An 'ism' serves a very important function. It helps its adherents in eliminating from their conduct, the contradictions and inconsistencies vis-à-vis essential elements of the ism. Hence ism provides security to its essential elements and ingredients thereof.

How an ism protects its essential elements can be understood by the following:-

Betrayal Of Americanism The Cause of Financial and Economic Crisis

(i)- Americans earlier practiced slavery but Americanism abolished slavery.

(ii)- Americans established a nation state through a struggle for independence in 18th century but Americanism converted it to an ideological state where the ideals of human rights and dignity of earlier slaves were recognized. Furthermore, slavery was removed by taking the risk of dismemberment of the United States during a civil war in the 19th century.

(iii)- Americans dropped nuclear bombs on Japan at Hiroshima and Nagasaki in 1945 but now Americanism is trying to rid the world of weapons of mass destruction (WMDs) not only of nuclear variety but also of other types i.e. biological, chemical etc.

(iv)- Americans have been practicing unbridled consumption leading to so called 'disposable culture' where things are consumed and disposed without any justification. But now Americanism is making increasing number of Americans to realize the true meaning of 'prosperity' and also making them aware about the importance of 'environmental protection' including the need to protect limited natural resources.

(v)- Americans earlier practiced racism but now Americanism practices tolerance and inclusion.

(vi)- Americans earlier practiced capitalism which kept the interest of only capital-using-Americans at the top but Americanism has converted the United States into a welfare state through joint-capitalism where the genuine interests of all Americans are given equal respect as per dictates of justice.

The ism has two aspects:-

(1)- It has a natural tendency to become a second religion therefore the adherents of any ism are fired with missionary zeal to live and propagate the ideals of the ism. Americans too will have to acquire this missionary zeal if they want to have any chance of success and

Betrayal Of Americanism The Cause of Financial and Economic Crisis

survival of their way of life through Americanism which has given them so much respect and love in international community.

(2)- Ism is adopted by not only the citizens of the country where it is originated (as in this case by the citizens of the United States) but by other people also in and out of the United States. It is not that difficult for the non-citizens who are living in the United States or the citizens of the United States to internalize the essential elements of Americanism. But for the people from rest of the world who have chosen or will choose to adopt Americanism have to struggle and suffer a lot against the entrenched system and prejudices of their countries where majority or the State are not so favorably disposed to Americanism.

Therefore Americans as well as the people from rest of the world who have made Americanism their second religion have every right and obligation to ensure that Americanism is restored to its proper health, vitality, credibility and glory.

But of late Americanism has become weak because Americans have betrayed the essential element of Americanism in their conduct and practices. That is the reason the United States is facing the ongoing economic crisis.

How to put the Americanism back on track is the subject matter of this book. How these 24 basic elements of Americanism have been betrayed by Americans in post World War II era and through their conduct during this financial and economic crisis and how this landed the United States in this financial and economic crisis, will be discussed in coming chapters.

As many aspects of Americanism and the financial crisis are related, the reader will find repetition among the chapters.

In last chapter the suggestions given in different chapters are summarized so that Americanism can be again brought back on track in the interest of (i)- the financial crisis of 2007 and consequent on-

Betrayal Of Americanism
The Cause of Financial and Economic Crisis

going economic crisis can be over come and avoided in future (ii)- Americans can take a lead in providing global security to entire mankind (iii)- the United States can discharge its global responsibility for the betterment of the entire mankind.

Betrayal Of Americanism
The Cause of Financial and Economic Crisis

CHAPTER - 2

Joint-capitalism

Nothing has harmed America more than its confusion about the type of economy the United States has. People, especially influential Americans erroneously think that the United States is a capitalist country whereas they do not understand that America has become a joint-capitalist country long back. Presently the United States is neither a capitalist country nor a socialist country but it is a country, which is practicing joint-capitalism born out of Americanism.

This error of conception about the type of economy the United States has cannot be rectified by intellectuals alone. It will require the entire nation of the United States to bring about this course correction. It will be a long-delayed overhaul for the entire nation to put in practice in concrete terms a revolution which took place at ideological level long ago which transformed America from capitalist economy to joint-capitalist economy.

Joint-capitalism is defined as a politico-economic model in which it is not merely the private capital but also the State capital jointly run the national economy in such a way that except five responsibilities of welfare State every other economic activity is left for private sector.

Here it is pertinent to add that the financial crisis of 2007 in the United States was part of wider economic crisis America is encountering and which is mainly due to disregard by Americans of joint-capitalism. Americans are not trying to understand that Americanism has led to joint-capitalism as is natural because everyism has to be based on the foundation of economy. For rest of the world there is no difference between joint-capitalism and Americanism.

Betrayal Of Americanism The Cause of Financial and Economic Crisis

Because joint-capitalism is another name of Americanism, we will discuss the broad outlines of joint-capitalism. This joint-capitalism came into existence due to process (as famously expounded by philosopher Hegel) of synthesis of thesis capitalism and its anti-thesis socialism. This joint-capitalism is the formidable force, which also saw the defeat of anti-thesis socialism (communism) in the dismemberment of the USSR and the transformation of China from total State ownership of production to mass scale privatization. Though China is still in the process of adopting joint-capitalism, it will not succeed fully unless it also adopts democracy too. Democracy is the driving force responsible for bringing joint-capitalism into existence.

Thesis and Anti-thesis

Mainly due to rise of democracy where State is under political compulsion to protect the interest of majority of population especially against the injustices caused by a small but powerful section of the population, anti-thesis socialism developed against thesis capitalism for the reasons which have been extensively written and debated since the time of Karl Marx and Engels. But the following points given by Anti - private-capital people are especially relevant in understanding the growth of joint-capitalism:-

- (1)- Capitalism essentially depends upon the private capital, in the hands of the entrepreneurs, which is generated by the savings of the households out of their wages and salaries of employees and profits of employers, after whatever is left from their household consumption.
- (2)- Saving is not a necessary habit or virtue but it is mainly the result of either the desire to have economical and political advantages or the fear of bad times especially of old age when people may encounter unmanageable difficulties due to being unable to work due to age and/or infirmity.
- (3)- Savings and its attendant debt economy has one more aspect to it which has been demonized by the anti-private-capital people who

Betrayal Of Americanism The Cause of Financial and Economic Crisis

grudge that it keeps majority of people dependent on their labor whereas minority enjoys the piggy-ride where their money earns money not only through equity capital but also through debt capital.

(4)- Debt economy functions in such a way that the working class is brought under debt as soon as they enter the job market in order to acquire a reasonably respectful life for purchasing their necessities of life like a house, car, television, refrigerator, etc. and which sustains the usurers.

(5)- Anti-private-capital people argue that if at-all capital is needed for the running and expansion of the economy then it should be State capital. They say that State should keep capital not only out of the surplus and profit generated by the productive forces of the country but also by creating money through money issuing authority as per the requirements of the national economy.

(6)- Over the period of time the private capital is concentrated in the hands of the people which was acquired in the first place not only by the hard work or entrepreneurship but a substantial part of it also by aggression, invasion, coercion, smuggling, corruption, tax invasion and other illegal and criminal activities which are crimes against humanity and/or against the laws of the land. Therefore there is no sanctity of entire stock of capital.

(7)- The hostility against some of the private capital has historic religious and cultural background too especially regarding debt capital. Interest earning, the usury has been taken in low esteem in all

the civilizations because it is considered against the pre-eminence of labor and also earned through a process where money earns money mostly by the instrumentality of physical coercion by knife or guns at smaller and lower level and through the coercive apparatus of the State at a larger and higher level.

(8)- The capitalist economy leaves (i)- many people unemployed even at best of the times (ii)- many people at all the time in need of medical

Betrayal Of Americanism The Cause of Financial and Economic Crisis

help and education for them and for their children and (iii)- senior citizens facing difficulties about unaffordable rents (if not in their own home), unaffordable health care and inflation which makes any pension meaningless. These hardships and constraints demoralize and demean them. It is against the dignity and human rights of such vast number of the citizens. This is simply unsustainable in any democracy where the State cannot afford to remain unresponsive and apathetic to such explosive issues.

Synthesis

For a capitalist economy government tax revenue is only collected from the people for discharging its traditional State responsibilities of law and order, rudimentary health care, education, security, and defense.

What is meant by State capitalism in joint-capitalism is simply the process of generating currency and taking loans by the State in order to finance its expenses exclusively for the purpose of discharging its five responsibilities of joint-capitalism born out of the welfare State. This is in addition to pre-existing tax revenue of capitalist economy.

Such generation and raising of money (by the State) was the practice confined during capitalism for the private entrepreneurs only. In capitalism private persons used to generate currency and thus to change money stock by going to a currency issuing authority with material valuables like gold as an asset back-up and used to generate loans from the banks for the capital and revenue they required.

Before explaining the most important characteristic of joint-capitalism, some definitions will be in place. Though central/reserve banks of different countries define money in different ways, here I will consider only those tokens as money which are issued by or issued under control of money issuing authority (Federal Reserve in the US) and which has asset backup and readily accepted by the people as a medium of exchange. Hence we will discuss only two types of money

Betrayal Of Americanism The Cause of Financial and Economic Crisis

(i)- The currency which is also known as high power money or as central/reserve bank money or government money. It has maximum liquidity and all the three functions of money namely medium of exchange, unit of accounting and store of value. It is known as high power money because on the basis of it 'commercial bank money' is created.

(ii)-This commercial bank money is checkbook money which people get from commercial banks. People issue checks on the strength of loans sanctioned by commercial banks and these checks are readily accepted by people as medium of exchange. Here it is noteworthy that commercial bank money also has asset backup because commercial banks ask the borrowers to furnish collaterals against checkbook money.

Banks under the control of the Federal Reserve can issue only enough checkbook money which will satisfy the claimants (i)- the holders of the check who may ask for cash (currency) against checks and (ii)- the depositors on the strength of who's money checkbook money is issued to the borrowers. The Federal Reserve controls it in various ways including through reserve money. The ratio of commercial bank money to reserve bank money is known as money multiplier because it multiplies the money stock beyond currency.

Money multiplier mainly depends upon banking practices of the people in any country. In countries where transactions are more in cash the money multiplier is less. The secret of money multiplier lies in the fact that every body does not demand that cash and the debit entries cancel-out with credit entries in the ledgers of the commercial banks which issue checkbook money and thus the requirement of cash is much less than the total transactions.

Nowadays private entrepreneurs generate capital only out of loans from banks or financial institutions and generate money too (though not currency) from commercial banks which is under the supervision of Reserve Banks.

Betrayal Of Americanism The Cause of Financial and Economic Crisis

Whereas governments in addition to taking loans from domestic or foreign public/institutions - which merely shifts domestic or global money stocks - also ask Reserve Banks to generate currency against a fiscal deficit by giving government securities as asset back-up, which is monetization of debt. This monetization of debt increases stock of currency (High Power Money) and the stock of money through commercial bank money and money multiplier.

Government have many real assets, hence entitled to offer these assets as collateral to money issuing authority (the Reserve Bank) in the interest of the people especially for discharging the five responsibilities of joint-capitalism.

What is important to understand is that in the field of capital it is now not merely the private entrepreneurs but also the State which is an equal participant and player in three departments namely generation of money, loans for capital expenses, and loans for revenue expenses. This forms the essential component of national economy as both private capital and state capital effect GDP, prices, employment, interest etc to a considerable extent of national economy.

The US fiscal deficit of \$13.4 trillion (1) is due to the United States being a joint-capitalist country. Though it is a different matter that the US Government did not spend it for the solidification of joint-capitalism under whose mandate the US Government amassed this whopping public debt. This lack of honesty about and commitment to joint-capitalism is the cause of the financial crisis of 2007 too, as will be explained in later chapters Joint-capitalism believes in severing only five areas of national economy from capitalism and bring them under state capitalism. These five fields and responsibility of State are (i) Eradication of unemployment (ii)- Health Care (iii)- Education (iv) - Care of senior citizens and (v)- pre-eminence of labor

Here it is pertinent to note that the inclusion of 'pre-eminence of labor' in the primary responsibility of State is a logical outcome of the fact that socialism and its synthesis with capitalism which resulted in joint-capitalism is essentially the result of democracy. In any country the number of employees are always much greater than employers.

Betrayal Of Americanism The Cause of Financial and Economic Crisis

Hence in any democracy with universal adult franchise, the State has to keep the sensitivities of the employees (laboring class) in mind since they are the predominant majority and naturally oppose economical space or income to those people who earn money out of money and not out of their labor.

Other than said five areas of responsibility, joint-capitalism does not permit any other field of national economy for the State, save whatever is necessary for tackling unemployment in the country.

Joint-capitalism does not bring health, education, care of senior citizens and pre-eminence of labor under monopoly of State but leaves these fields for the private sector too. In contrast, eradication of unemployment is the sole responsibility of the State.

Joint-capitalism recognizes the injustice in the system of money-earning-money but acknowledge hierarchy where income from the capital (cash or real assets) from three fields are considered against justice in descending order for (i)- profit/dividends of owners of private capital but which involves labor of entrepreneurs in commercial and administrative field if not so much in technological/production matters (ii)- rent of residential houses/commercial properties where owners do very less labor only for maintenance of properties and (iii)- interest to lenders through deposit in commercial banks and other loaning and financial institutions where owner of the capital is not required to do any labor.

Joint-capitalism does not believe in the necessity of saving and considers the following sufficient guarantee for a peaceful retired life of the senior citizens who are willing to lead such life: (i)- Low (extremely nominal for taking care of depreciation and maintenance) rent houses by State to those retired citizens who do not own houses, (ii)- Free health services and (iii)- Consumer price index related pension scheme.