November 2008 TRENDEVENTS

A LIFE BEYOND

http://rs.resalliance.org/2008/10/09/herman-daly-on-the-financial-crisis/

October 9, 2008 in… The Oil Drum has an article by the ecological economist Herman Daly on the Credit Crisis, Financial Assets, and Real Wealth. Daly writes:

The current financial debacle is really not a "liquidity" crisis as it is often euphemistically called. It is a crisis of overgrowth of financial assets relative to growth of real wealth—pretty much the opposite of too little liquidity. Financial assets have grown by a large multiple of the real economy—paper exchanging for paper is now 20 times greater than exchanges of paper for real commodities. It should be no surprise that the relative value of the vastly more abundant financial assets has fallen in terms of real assets. Real wealth is concrete; financial assets are abstractions—existing real wealth carries a lien on it in the amount of future debt. The value of present real wealth is no longer sufficient to serve as a lien to guarantee the exploding debt. Consequently the debt is being devalued in terms of existing wealth. No one any longer is eager to trade real present wealth for debt even at high interest rates. This is because the debt is worth much less, not because there is not enough money or credit, or because "banks are not lending to each other" as commentators often say.

Can the economy grow fast enough in real terms to redeem the massive increase in debt? Ina word, no. As Frederick Soddy (1926 Nobel Laureate chemist and underground economist) pointed out long ago, "you cannot permanently pit an absurd human convention, such as the spontaneous increment of debt [compound interest] against the natural law of the spontaneous decrement of wealth [entropy]". The population of "negative pigs" (debt) can grow without limit since it is merely a number; the population of "positive pigs" (real wealth) faces severe physical constraints. The dawning realization that Soddy's common sense was right, even though no one publicly admits it, is what underlies the crisis. The problem is not too little liquidity, but too many negative pigs growing too fast relative to the limited number of positive pigs whose growth is constrained by their digestive tracts, their gestation period and places to put pigpens. Also there are too many two-legged Wall Street Pigs, but that is another matter.

Growth in US real wealth is restrained by increasing scarcity of natural resources, both at the source end (oil depletion), and the sink end (absorptive capacity of the atmosphere for CO2). Further, spatial displacement of old stuff to make room for new stuff is increasingly costly as the world becomes more full, and increasing inequality of distribution of income prevents most people from buying much of the new stuff—except on credit (more debt). Marginal costs of growth now likely exceed marginal benefits; so that real physical growth makes us poorer, not richer (the cost of feeding and caring for the extra pigs is greater than the extra benefit). To keep up the illusion that growth is making us richer we deferred costs by issuing financial assets almost without limit, conveniently forgetting that these so-called assets are, for society as a whole, debs to be paid back out of future real growth. That future real growth is very doubtful and consequently claims on it are devalued, regardless of liquidity. ***"Money is the Nothing you get for something before you can get Anything"… Frederick Soddy***

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Speaking of devalued claims… ***Read the following with the understanding that Bush has replace professional watchdog groups with inside hack's placed to protect company profit above the Public's health and safety.***

The Safety Gap - NEW YORK TIMES - November 2, 2008
By GARDINER HARRIS

In the belly of an industrial district south of Lyon, France, just past a sulfurous oil refinery and a synthetic vanilla plant, sits a run-down, eight-story factory that makes aspirin, the first pharmaceutical blockbuster. The Lyon factory is the last of its kind. No other major facility in Europe or the United States makes generic aspirin

anymore. The market has been taken over by low-cost Chinese producers. Even Bayer, the German company that created aspirin in the 1890s and has fought for more than a century to distinguish its product as the most trustworthy one, now has backup supplies from China… The Lyon plant is owned by a French chemical giant named Rhodia that has been making aspirin since 1908 and still accounts for more than 25 percent of the world's aspirin market. But now a century after its entry into the business, the company intends to quit making aspirin altogether. The plant was last renovated in 1992, and it would need an upgrade to continue operating, an investment the company can no longer justify in what has become a cutthroat business. In fact, Rhodia is closing another factory about 40 miles to the south. This one makes the painkiller acetaminophen, which is found in Tylenol. It, too, is the last such facility in Western Europe…In some ways, this is a nonevent. European factories close; Chinese ones open. Consumers like their commodities cheap, in the case of aspirin as with everything else. China now produces about two-thirds of all aspirin and is poised to become the world's sole global supplier in the not-too-distant future. But are the Chinese factories safe? Who knows? The U.S. Food and Drug Administration, the European Medicines Agency and other competent government regulators rarely, if ever, inspect them. (By contrast, Rhodia's plant was last inspected by the F.D.A. in July and is routinely inspected by one country or another.) Companies that import Chinese pharmaceutical ingredients, including aspirin, are required to test the supplies before using them, and some send private inspectors to China to ensure that suppliers use adequate controls. No pharmaceutical maker wants its name to become synonymous with disaster, and the vast majority of drugs that are consumed in the United States are safe. But some industry executives told me that price sensitivity in the generics industry makes it more difficult to fully vet their low-cost suppliers.

In China, where thousands of drug manufacturers sell products in the local markets, profit margins are razor thin, and counterfeiting and contamination are common. In 2002, the Pharmaceutical Association, a Chinese trade group, estimated that as much as 8 percent of over-the-counter drugs sold in China are counterfeit. Contaminated products extend beyond drugs, as was made tragically clear this fall when four Chinese babies died and 53,000 were sickened by melamine, a toxic chemical illegally added to watered-down baby formula to artificially increase the protein count and fool quality tests… Though no melamine-tainted baby formula from China was found in the United States, it has shown up in other countries. This is the latest in a series of food- and drug-safety scandals. China has in recent years exported poisonous toothpaste, deadly dog food, toys made with lead paint and tainted fish. In one infamous example this spring, Chinese manufacturers substituted a cheap fake for the dried pig intestines used to make the drug heparin, which is given to dialysis and surgery patients to prevent blood clotting. As deaths among those taking the drug mounted, the F.D.A. discovered the taint and banned the contaminated drug. In the end, 81 people may have died from allergic reactions, and tens of thousands around the world were exposed to danger. F.D.A. officials admitted that the agency should never have approved the Chinese-made heparin for sale in the United States; the agency, it turned out, had never inspected the Chinese plant making it.

Concerns about Chinese drugs have become so intense that just three weeks ago, the Health and Human Services secretary, Michael O. Leavitt, announced that the F.D.A. would open an office in Beijing by the end of the year and offices in Shanghai and Guangzhou next year. The agency still plans to send inspectors to China from the U.S., but the offices will provide "an infrastructure that will make those people more effective," Leavitt said at the time of the announcement… China's leap to one of the biggest suppliers of pharmaceutical ingredients in the world happened over the last decade, as the Chinese government subsidized the construction of manufacturing plants that have undercut prices everywhere. Generic drug makers in the United States, where price competition is fierce, were the first to seek cheaper drug ingredients in China. Last year, generic drug applications to the F.D.A. listed 1,154 plants providing active pharmaceutical ingredients: 43 percent of them were in China, and another 39 percent were in India. Only 13 percent were in the United States. Branded drug makers, with their fatter profit margins, resisted buying ingredients from China for years, but with their businesses now suffering, even major pharmaceutical companies like AstraZeneca, Bayer, Baxter and Pfizer have announced deals to outsource manufacturing to China…I have been writing about the drug industry for more than a decade, but I have rarely written about a subject that both branded and generic drug makers wanted to discuss less. Nearly all of the industry executives who spoke for this article did so anonymously. Even the Generic Pharmaceutical Association, a normally loquacious trade group, was largely silent on the issue. Not one of them, it seems, wants to talk too much about the difficulty of regulating factories across several times zones, 6,000 miles and a vast linguistic and cultural divide.

The F.D.A. regulates more than $1 trillion worth of consumer goods, which amounts to about 25 cents of every consumer dollar spent in this country. This includes $466 billion in food sales, $275 billion in drugs, $60 billion in cosmetics and $18 billion in vitamin supplements. The agency is responsible for monitoring a third of all

imported goods, from eggplant to eyeliner, microwave ovens to monoclonal antibodies, slaughterhouses to cell phones. But with fewer than 500 import inspectors and computer systems so old that repairmen must be called out of retirement to fix them, the agency is increasingly beset by a sense of futility… Even the F.D.A.'s staunchest defenders now acknowledge that something is terribly wrong. Among them is Peter Barton Hutt, who served as the agency's general counsel during Nixon's administration and is widely considered the dean of the F.D.A. bar in Washington. I've interviewed Hutt dozens of times over the years, and he has always defended the F.D.A. No more. "This is a fundamentally broken agency," Hutt told me earlier this year, "and it needs to be repaired."… The breakdown is not simply about money. This summer 1,442 people around the country were sickened by tainted tomatoes — or possibly jalepeño peppers. Such scares have become familiar, and the inability to quickly find the sources of contamination has been one of the agency's signal failures. A 2002 law requires produce processors and distributors to keep track of where food goes and comes from, but the government has yet to mandate standardized record-keeping. As a result, in response to a scare, investigators must pour over a blizzard of contradictory packing slips and incompatible computer programs as they race to save people.

To ensure the safety of imported drugs, the F.D.A. relies almost entirely on its own inspections of foreign plants. This was not much of a problem 30 years ago, when most medical products consumed in the United States were made here and F.D.A. inspectors could drive around to plants in their district. Most of those plants have since moved abroad, and now decades can pass between inspections. Testifying before Congress in April, Dr. Janet Woodcock, director of the F.D.A.'s drug center, spoke with rare frankness about the ability of the agency to do its job abroad. "The F.D.A. of the last century is not configured to regulate this century's globalized pharmaceutical industry," she testified...Other current and former F.D.A. officials I talked to echoed Woodcock's warning. Tim Wells, who was a field investigator and then a compliance officer for 24 years at the F.D.A., now does private audits of drug plants and sees the holes in the agency's safety net. "A company I recently visited abroad hasn't been inspected for 10 years," he told me… Besides being more frequent, domestic inspections are unannounced and more intense. And when inspectors find dangerous conditions at domestic plants, they generally return promptly to ensure that those conditions get fixed. Not so in foreign plants. In a report released Oct. 22, government auditors reported that between 2002 and 2007, F.D.A. inspectors found dangerous conditions in 15 foreign plants. Only one of those plants was re-inspected within two years, the auditors found. In every other case, the agency took foreign managers at their word that promised changes were made.

The record is particularly bad in China. Over the past six years, the F.D.A. has managed to inspect annually an average of just 15 of the 714 Chinese drug plants that export to the United States. At its present pace, the F.D.A. would need more than 50 years to visit all of these Chinese plants. By contrast, the F.D.A. inspects domestic drug plants every 2.7 years…Inspectors volunteer for the grueling overseas assignments, and, it turns out, they don't much like traveling to parts of Asia. "I went to Taiwan once, and after initially spending a night in a very nice hotel, I was transferred several hours by car to a hotel closer to the plant," recalls DeVaughn Edwards, who worked as an F.D.A. inspector for 14 years until he left in 2006. "The bed consisted of two mattresses on the floor. There was no lock on the door. You had to hope that no one came in. It was dark; there were no amenities, no TV that worked. There was a shared restroom down the hall. It was only one night there, but it was enough to make you not want to revisit the plant or spend too much time there."

When inspectors do go to China, their reports sometimes read like a bureaucratic rendering of Mark Twain's "Innocents Abroad." During a 2001 trip, for example, two F.D.A. inspectors visited a plant that was exporting acetaminophen to the United States. The plant had never been inspected. "The F.D.A. inspection team was met at the hotel in Wenzhou by representatives from Wenzhou No. 3 Pharmaceutical Factory and . . . transported by public ferry and then company vehicle to the manufacturing facility on Dong Tou Island off the coast of Wenzhou," their report states. "There is no street address or plot number, and the address of the facility is given only by the county and province."…Once the team arrived in what seemed like the middle of nowhere, the inspectors learned the drug was being manufactured at another plant — one that once had a similar name but had recently changed it. "In fact," the report continues, "inspection found that there were initially three separate and independent firms operating under the names Wenzhou No. 1 Pharmaceutical Factory, Wenzhou No. 2 Pharmaceutical Factory and Wenzhou No. 3 Pharmaceutical Factory. The location of Wenzhou No. 1 Pharmaceutical Factory was also determined by the F.D.A. inspection team during the visit to Wenzhou, and it was learned that the firm is operating under a new Chinese name; however, the English translation of that name was not available." So the two inspectors flew back to the United States — at taxpayers' expense — never having inspected a thing… The F.D.A.'s apparent inability to keep names straight is no trivial matter. One reason the agency failed to inspect the Changzhou plant that produced deadly heparin, for instance, was that someone mixed up the facility's name and concluded that the plant had already been inspected. Chinese plant

names, a vestige of its once strictly controlled economy, are often very similar, and translations can vary. For instance, there are 57 separate drug master files — the basic F.D.A. record of a plant's name, location and approved product — with "Shanghai" in the name. Some are obvious repeats, like the ones for "Shanghai No. 6 Pharmaceutical Factory" and "Shanghai Number 6 Pharmaceutical Factory." But others could be separate plants. Or maybe not, It's just too hard to tell.

Compounding the problem is the F.D.A.'s antiquated technology. Its computer systems are so awful that officials have no way of knowing which names, or which plants, are real. To determine which factories need to be inspected, agency investigators must consult two incompatible databases, one of which lists 3,000 foreign drug plants exporting to the United States and the other 6,800. Which number is right? Nobody really knows. Officials have told House investigators that their best guess for the number of foreign drug plants exporting to the United States is 2,967, while the Government Accountability Office recently guessed 3,249. Neither can the agency tell in many cases when the plants were last inspected (or, more important, which have never been inspected), where they are located or what products they make.

The combined ports of Los Angeles and Long Beach receive about 45 percent of all ship-borne trade that comes to the United States, or some 5.2 million containers a year. When I visited one day in May, giant cranes were unloading and loading more than 30 ships, each bearing about 2,500 containers. Some 40 to 50 of those containers — a tiny fraction of the total — were trucked to a gigantic warehouse about a half-mile from the ports. There the F.D.A. and Customs and Border Protection cracked open shipping containers that they considered suspicious and then emptied the containers into a large examination area in front of the bays, arranging the boxes and crates as if they were pathologists lining up organs from an autopsy… Just about every crate I saw contained some kind of food product. One crate came from Indonesia, and its manifest said it contained products with chicken inside. Indonesia plus chicken suggests avian flu to F.D.A. officials. So they decided to take a look. The crate turned out to contain chicken seasoning, but no actual chicken. Still, the cans were sent off for testing. Deeper into the guts of the container were glass jars of sambal terasi, a hot sauce. They would probably be sent back because the F.D.A. requires makers of low-acid foods in jars or cans to register with the agency.

The labels on high-end olives from Italy were lacking the required nutritional information, so back to Italy they went. Jars of jam made of figs and tangerines indicated they were produced close to Ukraine, so an F.D.A. inspector said that he wanted to sample the product for radioactive fallout from the 1986 Chernobyl disaster.

As I wandered through this cornucopia, I realized that I had seen similar products at specialty grocery stores all over New York. My brother is a gourmet chef, and I bet an F.D.A. inspection of his kitchen cabinets would net a sizable seizure of improperly labeled food of suspicious provenance. The F.D.A., after all, inspects less than 1 percent of all imports.

This year, 18.2 million shipments of food, devices, cosmetics and drugs are expected to enter more than 300 U.S. ports; the F.D.A. had 454 investigators in 2007 — one and a half per port — to scrutinize them. Theirs is an almost hopeless task, made even more frustrating by the inability of one part of the F.D.A. to share even its most basic information with another. Inspectors in Los Angeles, for instance, have no way of knowing which Chinese drug or device imports really ought to be reviewed because they do not have access to records of F.D.A. plant inspections. If the agents knew, for example, that an F.D.A. inspector had found significant problems at a particular facility, they could be sure to check for the maker's name on a shipping manifest. But they have no way of knowing where to focus their attention. "Our current non-automated approach to entry screening cannot continue," Woodcock of the F.D.A. told Congress. "We need to be able to assure that both the product and site of manufacture are acceptable before a drug gets into our country."

I met Yusuf K. Hamied in the lobby of the Waldorf-Astoria Hotel, where he likes to stay when visiting New York City from his home in Mumbai. He greeted me warmly and turned quickly to the matter at hand. "Let's go eat," he said, steering me to a nearby Chinese restaurant where the maître d' greeted him by name and showed us to a quiet table…Hamied is the chairman and managing director of Cipla, the giant Indian generic drug manufacturer. A small man with thinning white hair and well-tailored suits, Hamied has become something of an international public-health hero. In September 2000, Hamied walked into an international meeting on AIDS and other diseases and promised to sell a cocktail of AIDS drugs for about $600 per patient per year, a fraction of the price then being offered by large drug makers. "Friends," he told the crowd, "I represent the needs and aspirations of the third world. I represent the capabilities of the third world, and above all I represent an opportunity."… Until Hamied's announcement, most leaders and even many charitable organizations had

dismissed the possibility of treating impoverished Africans and Asians who were infected with H.I.V. Drug combinations that kept the infection at bay cost upward of $15,000 per year, a price even those in rich nations strained to bear.. But by defying Western companies that held the patents on the medicines, Hamied, whose offer was later lowered to $350 and then to $80, changed everything…Hamied certainly saved many lives and, in doing so, demonstrated just how cheaply effective drugs could be made. Today, as more and more drug makers are seeking out Chinese and Indian manufacturers, the prices for all kinds of generic drugs have dropped. A result has been lower prices in industrial nations as well as the developing world. The A.A..R.P. announced earlier this year that the prices of 185 widely used generic drugs dropped nearly 10 percent last year while those of the 220 most commonly used brand-name drugs rose 7 percent.

If not for the low prices from Chinese and Indian producers, millions of people around the world would likely go untreated. And in the United States, buying generic drugs produced abroad is one way to tamp down the exploding health care costs confronting companies and individuals. But there is a hazard: without proper regulation, some of those drugs could be either ineffective or dangerous. A 2006 study found that more than half of anti-malarial drugs sold in Southeast Asia contained no active ingredients. The World Health Organization has estimated that as much as 10 percent of pharmaceuticals sold worldwide are counterfeit or contaminated. In some poor countries, the share is more than 30 percent…At lunch, Hamied said that his plants are inspected routinely, and he provided an extensive schedule of inspections. Indeed, international drug buyers say that getting a few days to audit a Cipla facility can be difficult because, as a crucial supplier to dozens of companies across the world, the Indian drug maker hosts a never-ending stream of inspectors and auditors. But like everyone else, Cipla acquires an increasing share of its drug ingredients from plants in China. “Yes, I’ve heard all those stories about problems in Chinese plants,” Hamied said. But he added that he trusted his Chinese partners.

Many international drug buyers said that they are far more comfortable buying from Indian companies than Chinese ones. Language is one reason, but another is that corruption is not as endemic in India. “We haven’t had the problems with the Indians that we’ve had with the Chinese,” says William F. Haddad, chairman and chief executive of Biogenerics. “There’s something missing in China, and it has a lot to do with corruption.”… But a few weeks after my lunch with Hamied, the U.S. Justice Department announced that it had opened a criminal investigation of Ranbaxy, the largest Indian drug maker, with $390 million in annual sales in the United States. In a motion filed in federal court in Maryland, the Justice Department accused Ranbaxy of “a pattern of systemic fraudulent conduct,” including filing fabricated drug data to the F.D.A. and using drug ingredients from unapproved and uninspected plants. AIDS drugs purchased by the President’s Emergency Plan for AIDS Relief were among the medicines implicated, the Justice Department charged. Leaders of a House committee sent the F.D.A. a letter in July saying that court documents showed that the agency’s officials knew of the allegations for 18 months but did nothing. In September, the F.D.A. banned imports of more than 30 generic drugs made by Ranbaxy, citing violations that could lead to contamination and allergic reactions.

It was a hot day in June, but Dr. Andrew von Eschenbach, the commissioner of the Food and Drug Administration, was dressed as usual in a dark suit and tie with a monogrammed white dress shirt. His gold cuff links and the yellow “Livestrong” wristband from his “good friend” Lance Armstrong were visible. He was clearly excited… I was following von Eschenbach on a visit to the John F. Kennedy airport international mail facility. When I visited the ports of Los Angeles and Long Beach in May, the agency agreed only at the last minute to send along its district director. Now I was getting an unusual ride-along with the agency’s commissioner.. In the intervening weeks, the agency went from defending its oversight of the nation’s drug supply as effective to agreeing that the agency was overwhelmed. The reason for the change? A bipartisan chorus on Capitol Hill had been denouncing the agency’s failings — while at last promising more money… We were herded into “the cage,” a 30-foot-by-20-foot area where customs and F.D.A. inspectors do their work. There are two to three F.D.A. inspectors assigned to police the flood of illegal drug shipments among the nearly 1.3 million pieces of foreign mail that flow through J.F.K. every day. Mail workers pull packages from countries that customs has decided are risky and dump them into “the cage.”… Officer James Ng of Customs and Border Protection started the tour by putting a package from China through an X-ray machine. The pictures showed row upon row of vials. “When it looks like this, it’s usually anabolic steroids inside,” Ng said. He opened the box, put on a pair of half-glasses and took out one of the vials, which was filled with a white crystalline powder. “It says it’s testosterone,” Ng said and then handed the vial to von Eschenbach.

“It’s an incredible example,” von Eschenbach said, his eyes bright. “It’s a steroid from China, but the label is written in Spanish.”

Customs seizes any steroids and narcotics they find, but they give other drugs to F.D.A. inspectors, who laboriously fill out handwritten forms and send letters to intended recipients. If the recipient swears that the drugs are for his or her own personal use, the F.D.A. often releases the detained package. It takes an hour or two to process each package, “an obstacle that makes their job functionally impossible,” according to a 2003 Congressional investigation. Thousands of packages can pile up waiting for F.D.A. review, and the agency often releases packages without any investigation for lack of staff.

Even when there are inspectors on the job, they cannot be sure every ingredient in a medicine is safe. The F.D.A. confines nearly all of its regulations and much of its inspection oversight to the active part of most pills, which generally constitutes between 1 percent and 10 percent of a pill’s volume. Much of a pill is fillers, binders, coatings, colorants and lubricants that are almost entirely unregulated.

The syrup in which cough and fever medicines are delivered has figured in at least eight mass poisonings around the world in the past two decades, with three of the four most recent cases originating in China. Hundreds died in Panama in 2006, at least 88 children in Haiti died in 1995 and 1996 and some 30 infants died in India in 1998 — all from toxic syrup. In 1937, 107 people in the United States died because of similar toxic syrup. In fact, it was this incident that led to the creation of the modern F.D.A. But plants making fillers and other nondrug ingredients of pills and syrups are rarely, if ever, inspected by the F.D.A. or any other regulatory agency… Providing money to finance the agency has been an issue through both Democratic and Republican administrations. The situation grew so dire in the early 1990s that drug makers, alarmed that it was taking up to three years for the F.D.A. to approve new drugs, agreed to pay fees to speed review times. But the companies put strict limits on how that fee money could be spent, and Congress went along with these limits. The parts of the agency that are not financed by fees, like the inspectorate and those charged with overseeing the safety of already approved medicines, began to whither. Indeed, the number of personnel financed by Congressional appropriations remained unchanged at the F.D.A. between 1992 and 2007. Since 1990, the volume of U.S. imports has increased by more than 900 percent.

Several independent assessments of the F.D.A. have called attention to the agency’s poor organization and shortage of funds — and to the hazard those shortfalls pose to the nation’s supply of food and medicinal drugs. A board of scientific advisers to the F.D.A. released a report last year that concluded that nothing less than the lives of U.S. citizens were at stake.

In February of this year, the president asked Congress to provide the F.D.A. with $1.77 billion for 2009, which included an increase of $50.7 million over the prior year that was not enough to cover even normal salary increases. Over the ensuing months, von Eschenbach endured withering criticism from Congressional Democrats and Republicans. Repeated scandals involving tainted drugs and food led them to conclude that the F.D.A. needed to conduct far more foreign inspections. House Democrats held more than a dozen hearings to highlight the agency’s shortcomings and to urge the administration to propose greater expenditures.

Eventually, after a bruising interrogation by Representative John D. Dingell, the Michigan Democrat who is the chairman of the Energy and Commerce Committee, von Eschenbach asked Congress in May for $275 million to ensure the safety of imported foods, drugs and medical devices. In June, Leavitt, the Health and Human Services secretary, urged speedy action by Congress, which soon gave the agency an emergency infusion of $150 million for this year and another $150 million for next.

This could be the moment to make a difference at the F.D.A. There is strong bipartisan support on Capitol Hill to beef up the agency and prevent another heparin scare. Come January, there will be a new administration in Washington, and no matter who wins the presidential election, change is likely: neither Barack Obama nor John McCain is apt to be as philosophically opposed to regulation as the Bush administration has been. Under Bush, the emphasis was on encouraging companies to hire private inspectors, which the F.D.A. has tried to do for some time with little success. That ethos has already changed in Congress. As Representative Joe Barton, the Texas Republican who is the ranking member on the House Energy and Commerce Committee, said recently, when it comes to reforming the agency to increase foreign drug inspections, “there isn’t any daylight between Republicans and Democrats.”

Unlike reforming Social Security or health insurance generally, fixing the F.D.A. won’t mean allocating enormous sums or necessitate reconceiving the system. It just requires some money and will. There are already legislative changes in the works. Bills now circulating on Capitol Hill would require food, medical- device and drug makers to pay annual registration fees to the F.D.A. Those fees would be used to allow as many

inspections of foreign firms as domestic ones…There also seems to be agreement that our regulatory agencies can't rely on China to police its own factories. The Chinese have lurched between vows of reform and disregard for American concerns about the quality of the country's products. When melamine was first found in Chinese-made pet food, Chinese government officials denied that the taint originated in their country and then, when that claim was disproved, said melamine would not hurt pets. During the heparin scare, Chinese officials admitted the contamination but insisted it wasn't lethal. Last year, however, the Chinese government executed the former head of the agency entrusted with oversight of food and drug industries. He was found to have approved untested medicine in exchange for cash. The punishment shocked many at the F.D.A. but also led some to imagine that the Chinese were signaling a broader crackdown on unsafe foods and drugs, a hope that so far remains unrealized.

More inspectors will certainly help, but even regular inspections of Chinese plants cannot ensure safety. Inspectors can be hoodwinked; tests can be fooled. "No matter how many F.D.A. inspections they do," says Senator Sherrod Brown, Democrat of Ohio, "our safety is still at risk if the pressure continues to cut costs." Brown has introduced a bill to require labels disclosing the source country of key drug ingredients. Some lawmakers have gone as far as to suggest a ban on all drugs made with Chinese ingredients, but China has become such a crucial supplier that a ban would lead to the collapse of the U.S. health care system.. And our dependence is only growing: when PricewaterhouseCoopers cited the best place for pharmaceutical outsourcing in the world in an October report to drug companies, its pick was China.

Gardiner Harris, a correspondent in The New York Times's Washington bureau, reports on public health.

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Quoting Howard Scott:

The people of the United States and Canada are being deluded with fairyland concepts about population and standard of livings. For more than a century, these areas have been subjected to bonanza exploitation. This can be done only once. When irreplaceable resources such as fossil fuels, metals, and mineral fertilizers are exhausted, they are gone forever.

The United States is rapidly approaching the end with respect to several important resources. Further, these areas, particularly the United States, have been in a position to live beyond their income, even after allowing for their bonanza exploitation. They have also lived off the produce and labors of external areas which have provided them with various low-cost imports. When it comes to living on the resources of one's own area, pro-rated over a long-term period, the social problem becomes much graver—yet that is what must be done if we are to achieve social stability in a self contained, long-term basis on this Continent.

North America is already exceeding its optimum population by several tens of millions. Every new million added to the present numbers will add to the burden and hazards of social living and contribute to a reduction in the general standard of living. What is more, since there are already many more people here than are required to operate the area, even on a reduced work basis, all additional numbers will have to be carried as dead weight by the society.

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Ah! Sweet Mystery of Money, by Ron Miller — Published in *Northwest Technocrat Newsletter*, April 1994, No. 123, and *The Northwest Technocrat*, First Quarter 1995, No. 338

The real problem with money is that some people confuse it with wealth. Money is not wealth. It represents wealth. The attitude seems to be that if people, or the economy, don't have enough money, why not just print some. It is just this kind of thinking that usually brings about the final collapse of every Price System.

Money is a commodity, like bananas or toothbrushes — only it is a commodity that isn't real; so, the supply of it can be controlled easily by governments. To make food, you first have to grow it, then harvest it, and, finally, transport it to where it is needed. The same goes for any other commodity — but you can make money as fast as a printing press can run. The only thing physical that you need is paper and ink. You do, of course, need the presses and the manpower, but these are minimal.

At the core of this little puzzle is the sum total of all the real commodities in a certain area that are available for distribution to the people of this area. This is a finite number. It is a great simplification; but suppose that the total amount of money in the system adds up to the total costs of all the commodities. Then the system works. People who have the money exchange it for commodities they want or need. They receive money for their labor and produce more commodities and consume them. Now suppose you want to make everyone richer. You print more money. The amount of commodities hasn't changed. So, because there is more money, the price of everything goes up. This is called inflation. An economist would say that all you have done is to debase the currency. You have reduced its value.

A number of things now begin to happen. When people give a loan to someone or buy a bond (the same thing), they expect a return on their investment — interest. This is the price of money. If a person makes a loan to another person and the amount of interest that he receives for his loan equals the rate of inflation only, then he hasn't made any money at all when the loan is paid off. He has just broken even. He could have done just as well in the first place, if he had gone out and bought some things for himself instead of making a loan to someone else. The problem with this is that one really can't know just what the rate of inflation will be in the future. So, one takes a little gamble and guesses that it will probably be about the same as it has been in the immediate past. This makes banks and bond traders really nervous people. Talk of inflation gives them nightmares; what if they guessed wrong!

Now the next thing you might think is that if these guys are getting more in return for their loans than the rate of inflation, wouldn't that cause inflation itself? Not if the loans they are making increase the total amount of commodities available. Everything ends up right where it started. More commodities equal a higher standard of living, but for every commodity there is a limit as to how much, on a per capita basis, everyone can consume.

Exceeding this limit is called by some, overproduction. In order to have value, a thing must be scarce. OK, how do we get out of this one?

Suppose you invent a whole bunch of new commodities. (This is just what President Clinton wants.) One of the problems is that a lot of those new commodities most likely will be commodities that reduce the amount of labor required to produce more commodities. Yikes!

No labor — no wages. No wages — no purchasing commodities. No purchasing commodities — no more money in circulation. Obviously, what we need here is an economy that expands fast enough to provide enough wages to keep this merry-go-round running. We will borrow money to make more jobs, and when it comes time to pay it back, we will just borrow more to pay off the old loan and make more jobs. This begins to take on a really mystical quality.

This is great for the economy and great for the people loaning the money. The economy keeps chugging along, burning up more irreplaceable natural resources and generally devastating the landscape. The people who loan the money keep clipping coupons. Wow! A perpetual motion machine! Of course, the debt keeps getting bigger and the interest keeps growing until it becomes a bigger share of one's income. What happens when the interest equals the income?

It won't ever get that far. If those really nervous people who make the loans and buy the bonds got wind of a story that the money presses were about to roll, they would fold their tents right now. They would bail out of their bonds to any fool who would buy then. They would take their currency and get rid of it by buying gold. The price of gold would climb fast — German marks, Swiss francs, anything but dollars. The economic plug would be pulled so fast, the economy would look as though it had hit a brick wall. Last one out, please shut off the lights.

The last stage of a Price System is usually a hyper inflation. In the 1920s, it brought Hitler to power in Germany. When governments go broke, they usually crank up the printing presses and try to inflate their way out of it. It is possible for the supply of money to reach abundance — at which point it becomes worthless.

The really important question is not "How much money do you have?" but "How much will your money buy?" — And the even bigger questions are: "How much is your interest payment in relation to your income? - How much debt can you support?"

The following is from an interview given to Charles H. Wood (Associate Editor of The New York World) by Howard Scott, Chief engineer of the Technical Alliance… whose research led to the creation of Technocracy Inc. by Howard Scott and M. King Hubbert in 1933.

Howard Scott is Chief engineer of the Technical Alliance, a new organization, with very modest headquarters at No. 23 West 35th Street. (New York City) It is not a business or commercial organization. It does not intend to direct any special enterprise. It is exactly what its name implies: an attempt to get the technical men of all branches of American industry together... "What for?" I asked Scott… "***To find out what the American people want," he answered***, "***and get it for them."…*** The answer was simple and inclusive but why the technical men? Are there no other interests to be consulted?

"The technicians," Mr. Scott explained, "are the only group who know how people get things. They are not the only producers, but they are the only ones who know how production is accomplished. Bankers don't know. Politicians and diplomats don't know. If these fellows did know, they would have got the wheels started before this."

Although the Technical Alliance has just been formed, Mr. Scott has been working at the project for several years. Not trying to get the engineers together — that is not an engineer's method of forming an organization. He has been gathering data and making charts showing just how industry is being carried on today; and, so far as he could, he has been calculating the percentage of waste…

"The whole problem may be stated," he said, "as the problem of elimination of waste, but waste to an engineer has a different meaning than it has to the general public… To an engineer exhaustion of any natural resource is waste… If we can eliminate idleness and duplication of effort," he said, "we may have immediate prosperity — such prosperity as the world has never known. If we can find a way to husband our natural resources, we may make that prosperity permanent."

"Can the engineers and the technical men do this, Mr. Scott?" I asked.

"If they can't," he answered, "Nobody can. Inasmuch, however, as that is the only thing that they are trained to do, the problem does not seem difficult. The simple fact is that they have not tackled the problem up to date… as engineers. The time has come, however, when the engineer must do exactly that. We are reaching a crisis, and the technicians are the only people who can find out what to do. They must survey the country, tabulate its resources, discover its possibilities in natural and human power, uncover the present wastes and leakages, and work out a tentative design of coordinated production and distribution."

"And suppose you do draw up a seemingly workable plan," I asked, "What are you going to do with public opinion?"

"It is all a technical matter," he said. "It makes not the slightest difference whether the public know about it or not. The steam engine didn't need a press agent. The Einstein Theory doesn't require any special legislative enactment. If only people who can bring order out of our present industrial chaos find out exactly how to do the job, we needn't worry about the next step."

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Here Comes $500 Oil

If Matt Simmons is right, the recent drop in crude prices is an illusion – and oil could be headed for the stratosphere. He's just hoping we can prevent civilization from imploding.

By Brian O'Keefe, senior editor
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(Fortune Magazine) -- Matt Simmons is as perplexed as anyone that it has fallen to him to take on OPEC, Exxon, the Saudis, and all the other misguided defenders of conventional wisdom in the oil patch. Why should one investment banker with a penchant for research be required to point out what he regards as the obvious - that from here on out, oil supplies can't meet demand, and if we don't act soon to solve this crisis, World War III could be looming?... "I find it ironic that here we have the biggest industry on earth, and I'm one of the few people to figure out that we have a major problem," he says, in his confident if not quite brash way. "And I did it all in my spare time. How stupid and tragic is that? I shouldn't be one of the only folks that actually has a handful of ideas of how we can keep from blowing each other up and get through this."

An unlikely maverick

Simmons was transformed overnight from an influential industry expert to an A-list pundit by the publication in 2005 of his book "Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy," a fairly technical read which argues that Saudi Arabia's oil supplies are much more limited than everyone thinks… In his own upbeat way, he despairs about what is to come. As the price of oil has fallen this summer (to $101 at press time), Simmons has watched in dismay as complacency has returned and the champions of do-nothingism have popped out of the woodwork to say I told you so. Not that it's lessened his conviction about the road ahead. "I do think there are a growing number of people who are getting it," he says. "But I guess it just reminds me that as a society, we don't have the ability to actually come to grips with a crisis until its hit us in the face. I am discouraged enough now to think that we're going to have to have a really nasty shock before we wake people up."

It was five years ago that Simmons had the insight that convinced him that the oil age had passed its zenith. During a trip to Saudi Arabia in February 2003 with his friend Herbert Hunt (yes, the son of H.L. Hunt who, with his brother Bunker, almost cornered the silver market in 1980), Simmons had become suspicious of the Saudis' claims about the vastness of their oil supply. In his four decades of working in the oil and gas industry, everyone he had ever talked to had taken it as gospel that the Saudis had enough oil to bail the world out when other supplies ran short. If that wasn't true, Simmons believed, the era of cheap oil was over. Demand for crude was on the rise worldwide, and supplies were getting tighter all the time. If the Saudis were pushing up against the limits of their oil production, the world needed to know.

In his typically analytical fashion, Simmons went hunting for data. He found it in the form of hundreds of technical papers submitted by Saudi oil geologists to the Society of Petroleum Engineers over the past 50 years. Simmons spent the month of August 2003 sitting on his porch in Maine and grinding his way through the minutiae of technical accounts of, for instance, reservoir pressure and water-cut percentages, trying to piece together the challenges that the Saudi geologists had encountered in managing their precious oilfields. In the end, his conclusion was clear. "I finished reading the last paper on a Sunday afternoon," says Simmons, "and I sat back and I thought, Holy crap, this is unbelievable. I've just discovered the biggest energy illusion ever in the world. We're in big trouble. I'm going to write a book." … And so he did. But writing the book didn't exhaust his passion. Today he is more convinced than ever that we've reached peak oil. If he's right, current world oil production- 86 million barrels a day- is about as high as we're going to go…Of course, if demand goes up but supply doesn't, prices are apt to go through the roof. And unlike global oil production, global oil demand doesn't appear to be anywhere near a peak. Both the U.S. government's Energy Information Association and the independent International Energy Agency, based in Paris, estimate that worldwide demand will be more than 115 million barrels a day by 2030.

Compiled by Paul Cordsmeyer Edited by Margaret Mathers