THE DECLARATION OF INDEPENDENCE HAS BEEN REPEALED

By Dick Morris 04.6.2009

On April 2, 2009, the work of July 4, 1776 was nullified at the meeting of the G-20 in London. The joint communiqué essentially announces a global economic union with uniform regulations and bylaws for all nations, including the United States. Henceforth, our SEC, Commodities Trading Commission, Federal Reserve Board and other regulators will have to march to the beat of drums pounded by the Financial Stability Board (FSB), a body of central bankers from each of the G-20 states and the European Union.

The mandate conferred on the FSB is remarkable for its scope and open-endedness. It is to set a "framework of internationally agreed high standards that a global financial system requires." These standards are to include the extension of "regulation and oversight to all systemically important financial institutions, instruments, and markets…[including] systemically important hedge funds."

Note the key word: "all." If the FSB, in its international wisdom, considers an institution or company "systemically important", it may regulate and over see it. This provision extends and internationalizes the proposals of the Obama Administration to regulate all firms, in whatever sector of the economy that it deems to be "too big to fail."

The FSB is also charged with "implementing…tough new principles on pay and compensation and to support sustainable compensation schemes and the corporate social responsibility of all firms."

That means that the FSB will regulate how much executives are to be paid and will enforce its idea of corporate social responsibility at "all firms."

The head of the Financial Stability Forum, the precursor to the new FSB, is Mario Draghi, Italy's central bank president. In a speech on February 21, 2009, he gave us clues to his thinking. He noted that "the progress we have made in revising the global regulatory framework…would have been unthinkable just months ago."

He said that "every financial institution capable of creating systemic risk will be subject to supervision." He adds that "it is envisaged that, at international level, the governance of financial institutions, executive compensation, and the special duties of intermediaries to protect retail investors will be subject to explicit supervision."

In remarks right before the London conference, Draghi said that while "I don't see the FSF [now the FSB] as a global regulator at the present time…it should be a standard setter that coordinates national agencies."

This "coordination of national agencies" and the "setting" of "standards" is an explicit statement of the mandate the FSB will have over our national regulatory agencies.

Obama, perhaps feeling guilty for the US role in triggering the international crisis, has, indeed, given away the store. Now we may no longer look to presidential appointees, confirmed by the Senate, to make policy for our economy. These decisions will be made internationally.

And Europe will dominate them. The FSF and, presumably, the FSB, is now composed of the central bankers of Australia, Canada, France, Germany, Hong Kong, Italy, Japan, Netherlands, Singapore, Switzerland, the United Kingdom, and the United States plus representatives of the World Bank, the European Union, the IMF, and the Organization for

Economic Co-operation and Development (OECD).

Europe, in other words, has six of the twelve national members. The G-20 will enlarge the FSB to include all its member nations, but the pro-European bias will be clear. The United States, with a GDP three times that of the next largest G-20 member (Japan), will have one vote. So will Italy.

The Europeans have been trying to get their hands on our financial system for decades. It is essential to them that they rein in American free enterprise so that their socialist heaven will not be polluted by vices such as the profit motive. Now, with President Obama's approval, they have done it.

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