



- NEWS HIGHLIGHTS
- BACKGROUND INFORMATION
- COMMONWEALTH AFFAIRS



The Price of Freedom is Eternal Vigilance

Print Post Publication Number 10000815

Vol. 59 No. 30

11th August 2023

IN THIS ISSUE

Commonwealth Fiscal Power & Australian Federalism By Alan Fenna	1
State of Play Report By Arnis Luks	2
The Case for a Queensland State Bank by Jeremy Lee	3

COMMONWEALTH FISCAL POWER & AUSTRALIAN FEDERALISM By Alan Fenna

Australian Federalism is characterised by an unusually high degree of vertical fiscal imbalance (VFI). With just more than half of the service delivery responsibilities, the Commonwealth controls over 80 per cent of all tax revenue – well in excess of its requirements. Such disparity necessarily entails some system of fiscal transfer whereby the surplus funds of the Commonwealth are used to make up the corresponding shortfall in the States. The States, on average, are dependent on the Commonwealth for 45 per cent of their revenue. A substantial share of those transfers is in the form of Specific Purpose Payments (SPPs) or ‘tied grants’ which the Commonwealth uses to exert policy influence in areas of State jurisdiction. While tied grants are not the only means by which the Commonwealth exerts power over the States, they are a major one. The amount of money involved is considerable, as is the number and range of programs... <https://www.unswlawjournal.unsw.edu.au/wp-content/uploads/2017/09/31-2-5.pdf> **

COMMONWEALTH OF AUSTRALIA CONSTITUTION ACT - SECT 51.

Legislative powers of the Parliament.

The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to:-

- (xii) currency, coinage, and legal tender;
- (xiii) banking, other than State banking; also State banking extending beyond the limits of the State concerned, the incorporation of banks, and the issue of paper money;
- (xiv) insurance, other than State insurance; also State insurance extending beyond the limits of the State concerned;
- (xv) weights and measures;
- (xvi) bills of exchange and promissory notes;
- (xvii) bankruptcy and insolvency;

Ed...During those 1890-1897 Constitutional Conventions, it is uncanny the constitutional-framers thought along the lines of sovereign-financial-security, including States Rights, for each State to manage their own financial, internal banking, and insurance, as they saw fit. An option generally not taken up to the fullest extent, but there as a constituted right non the less. We are the inheritors of a significant cultural legacy of which we should be continually grateful. Our Commonwealth Constitution Act 1901 provides a legal mechanism for each constituted State Government to experiment with various financial solutions against, ultimately, world and central government domination (exercised primarily through a monopolised and weaponised financial system).

A BRIEF HISTORY OF AUSTRALIA’S TAX SYSTEM By Sam Reinhardt and Lee Steel

At the end of the nineteenth century each of the six Australian colonies had distinct tax systems, which were almost entirely reliant on customs and excise duties. The design of these tax systems was largely driven by administrative concerns, rather than principles of equity or efficiency. Customs Duties were also designed to act as trade barriers between the colonies. One of the significant results of Federation in 1901 was the removal of all duties on goods traded between Australian states.

Consistent with most industrialised countries, Australia’s tax take (measured as the tax to GDP ratio) grew significantly over the twentieth century, in line with the expanding role of government. At the time of Federation (1901) Australia’s tax to GDP ratio was around 5 per cent. This ratio remained reasonably constant until the introduction of the (Commonwealth-ed) income tax in 1915, which was used to fund Australia’s war effort. Between the two World Wars, government expenditure and tax revenues grew significantly and by the beginning of the Second World War, (1939-ed) Australia’s tax take was over 11 per cent of GDP. (Today that tax take sits around \$500B, or 30+% of GDP-ed).

There is an ambiguous quality to this state of affairs. On the one hand, the proliferation of SPPs (Specific Purpose Payments-ed) can be seen as reflecting the adaptation of an old constitution to new circumstances. By means of

tied grants, the Commonwealth can exercise a necessary national interest role in areas where, by an accident of history, it would otherwise be denied access. On the other hand, the resulting pattern of intervention and entanglement can be seen as one of the pathologies of Federalism. The heavy (financial-ed) reliance of the States on the Commonwealth and the resulting constraints and burdens this creates magnifies some of the problems and reduces the potential benefits of a system of divided jurisdiction. The current arrangements reflect both underlying socio-economic realities and more particular features of Australia's Constitutional history. An extensive

STATE OF PLAY REPORT By Arnis Luks

Last week's *OnTarget* article by Prof FA Bland 'Why Federalism Means Freedom and Security' opens up this subject of State Government's financial dependency upon the Commonwealth - vertical fiscal imbalance ('VFI'). While during the 1890's Constitutional Conventions, assurances were given in the most emphatic terms, the reality was that the Commonwealth government will and did continuously pursue increased powers over the states. The Federal 'Compact' was breached, reducing the States to a position of financial dependency, relying upon the open-handedness, or not, of the Commonwealth government.

An interesting aside coming from this week's research, were the charts illustrating the Federation 1901 level of tax to GDP ratio around 5%, while the tax to GDP ratio for 100 years later is 30+%. Bearing in mind around the year 2000, Australia still maintained a significant industrial and manufacturing base. Whereas today that primary and secondary industrial and manufacturing base is but a figment of our over-imagination.

Expansion of the Money Supply

Covid financial policy was to massively increase borrowing to finance - firstly the lockdowns (subsidising people to shut down industry while under house arrest), then the masks with PCR testing (purchasing of these non-beneficial products), then the mandated jabs (now being identified as the cause of significant adverse medical events worldwide). Big Pharma, fortunately, being geared up to provide all these services, achieved eye watering windfall-profits while the state of general health of the public headed to the floor, a double whammy of financial gains. Corporate fascism at its finest.

Climate financial policy is massively subsidised, transferring the financial-burden onto the taxpayer. Those subsidies are also achieving windfall profits for that industry, while the taxpayer is left to foot the bill to the point of financial desolation. Watch this video here: <https://www.youtube.com/watch?v=TKmYWks-Yss>

The girl claims the farmers receive about \$12k per annum (for the wind turbine to be on his property while carrying all the liability), and the 'green' turbine provider receives \$600k-900k per annum – all under a John Howard government – go figure that one out Senators Antic and

range of recent reports and studies have highlighted the adverse effects of these arrangements and the newly elected Rudd Labor Government announced a series of reforms in its first budget, the Budget of 2008–09. If there is a case for Federalism in Australia, then there certainly is a case for such reforms – and more. Australian Federalism would benefit from changes moderating the degree and effects of VFI (vertical fiscal imbalance) and bringing the use of tied grants under control... (allowing the states to rightly manage their own financial affairs-ed) ***

Article Source: <https://treasury.gov.au/publication/economic-roundup-winter-2006/a-brief-history-of-australias-tax-system>

Rennick. Corporate monopoly also at its finest.

Contraction of the Money Supply

A recent report from the Mises Institute titled 'Credit Crunch: The Money Supply Has Shrunk For Eight Months In a Row' <https://mises.org/wire/credit-crunch-money-supply-has-shrunk-eight-months-row>

heralds the obvious – a 40% increase in the money supply during the lockdown-window, with a corresponding 40% decline coming out of lockdown-window, and now a further 15% decline across the previous eight months. Never a question of why this expansion and contraction of the money supply occurs from the MSM economists or the University professors. No one dare to call this financial policy 'funny money' – even PHON Senator Roberts.

Central-bank 'policy' is the source of this expansion and contraction of the money supply. Just as the contraction of the money supply that occurred in 1929 brought into existence the great depression, so we can expect the same outcome pursuing the same or similar policy from significant money contraction. Bearing in mind, money as we understand it to be, is bank-credit created by central banks with the stroke of a pen or the pressing of a computer key.

The 1980s internationalising of the Australian economy, in particular the financial system under then Treasurer Paul Keating (the world's greatest treasurer) has much to answer for.

ATO Surge in Collection of Arrears

Q4 The Australian Tax Office ATO and other creditors currently pose the greatest 'threat' to cash-strapped Small to Medium Enterprises SMEs, showing a 57% increase in insolvency-appointments-nationally from the same period last year.

The financial chickens are coming home to roost - again. Covid triggered a massive expansion in the money supply (credit-as-debt) to subsidise (to avoid imminent lack-of-cash-turnover bankruptcies) Small to Medium Enterprises SMEs during the lockdowns. However, the ATO actions appear to be selective in this collection of arrears. Qantas, for instance, after having received billions in similar subsidies continues to operate. Perhaps they are too big to fail. I would not be surprised to learn that nearly all major industries are in the same financial-viability-

boat. The mainstream media MSM has also been heavily subsidised by the long-suffering taxpayer since Covid.

The reference paper listed below written by Prof Greg McCarthy illuminates the political collusion between centralised financial objectives and the MSMedia. In this instance, to obscure the findings of the Auditor's Report (in contrast to the Royal Commission) into the 1991 collapse of the State Bank of South Australia caused by the internationalising of the Australian economy under ALP Treasurer Keating and the credit-expansion-policy imposed under 'sought after' Tim Marcus Clarke's Managing Directorship.

At the time Australia's fifth largest bank failed was during the SA Premier/Treasurer/ship of John Bannon ALP. He, being the sacrificial scapegoat, directing all public eyes away from the Hawke/Keating 'Internationalising of the Australian Economy', all working in unison with the MSMedia. How surprising and convenient. This is such an important document for the historical record that it will be reprinted for next week's *OnTarget*. Read the full version here:

Two and Two make One: The Collapse of the State Bank of South Australia By Prof Greg McCarthy

<https://academic.oup.com/policyandsociety/article/11/1/85/6427912>

*"What if the contemporary globalisation of the Australian economy and its finances is a path to 'Desolation Row'** (and that all the financial sectors can do is to play the violin for overseas restructuring)? If that is the case, then the State Bank of South Australia stands as a symbol for global restructuring and the demise of public banking in Australia and not a passport to a modernised economy based on building beauty parlours for passing financial sailors."*

** Desolation Row By Bob Dylan

<https://genius.com/Bob-dylan-desolation-row-lyrics>

I have always believed the appointment of those managing directors served its intended purpose against the best interests of both those State Banks' continued viability – SA and Victoria. Little wonder with the extended lockdowns for Victoria, that that government's debt is irredeemable, with the imposition of new taxes on industry and property owners alike to recoup some of those losses. The cancellation of the 2026 Commonwealth Games may be more political (against the British Commonwealth of Nations generally) than financial as this Commonwealth Sport article infers: <https://www.commonwealthsport.com/news/3594069/response-to-victoria-government-2026-commonwealth-game-host-withdrawal>

Combining the contracting money supply (for the previous eight months), with the ATO's surge with its debt collection activities, little wonder there is a 57% increase in insolvency-appointments-nationally from the same period last year.

Young people pursuing 'telephone-number' home loans are on the edge of a financial-precipice with little realistic chance of achieving freehold-title in their lifetime. This is current financial policy directed from central banks

over and above governments. You will own nothing and be happy iterates Klaus Schwab. Financial slavery is still slavery non the less!

Liberalism Towards Monopoly is not 'Free Enterprise' - Pursuing A Legitimate Financial Policy
Regardless of how sound a federated and limited constitutional system is built up, if it does not include a legitimate and just financial policy, the nation will still end up with the people impoverished and destitute. This is where we are headed.

However, is not mandatory and can be avoided. Reconstituting a bona fide State Bank to finance Local Government projects and vital State infrastructure projects at reasonable rates of interest is a constituted right and the responsibility of State Government. Abrogating this vital civic duty by handing over this primary function to central banks has repeatedly demonstrated outcomes heading towards 'Desolation Row'. Alfred Deakin had this to say more than 100 years ago:

"As the power of the purse in Great Britain established by degrees the authority of the Commons, it will ultimately establish in Australia the authority of the Commonwealth. The rights of self-government of the States have been fondly supposed to be safe guarded by the Constitution. It left them legally free, but financially bound to the chariot wheels of the Central Government. Their (states-ed) need will be its (Commonwealth-ed) opportunity. The less populous will first succumb; those smitten by drought or similar misfortune will follow; and finally, even the greatest and most prosperous will, however reluctantly, be brought to heel. Our Constitution may remain unaltered, but a vital change will have taken place in the relations between the States and the Commonwealth. The Commonwealth will have acquired a general control over the States, while every extension of political power will be made by its means and go to increase its relative superiority."

Alfred Deakin, Prime Minister,

Sept. 24, 1903 - April 27, 1904

July 5, 1905 - Nov. 13, 1908

June 2, 1909 - April 29, 1910

The Case for a Queensland State Bank By Jeremy Lee

https://alor.org/Storage/Library/PDF/Lee_J-The_Case_For_A_Queensland_State_Bank.pdf

Conclusions

Contrary to what both Sir Robert Sparkes (Pres of the National Party QLD) and State Treasurer Dr Edwards claim, it is perfectly legal and constitutional for Queensland to establish a State Trading Bank, with all the powers of existing private trading banks. Such trading banks EXIST in New South Wales and Victoria, one started by a Labor Government, the other by a Liberal Government.

Contrary to what both Sir Robert Sparkes and Dr Edwards claim, such a bank, while not being a bank-of-issue, would have the constitutional right to create credit.

Contrary to what Sir Robert Sparkes claims, this function is not "funny money", but a process that is happening year by year under both Liberal and non-Liberal Governments.

Contrary to what both Sir Robert Sparkes and Dr Edwards claim, there is no legal obligation for such a State Trading Bank to abide by the terms of the Commonwealth Government or the Reserve Bank with regard to lending policy, interest rates, terms and conditions, or Statutory Reserve Deposits.

Contrary to what Sir Robert Sparkes claims, Government involvement with banking is not socialistic, providing it does not hinder the right of private banks to compete. Currently, Reserve Bank policy and controls has seriously impeded the competitiveness of the private trading banks, as acknowledged by the Campbell Inquiry.

Central bank controls which impede competitive lending is in accord with socialist policy, and has seriously eroded the Federal system, the viability of Local Authorities, and the stability of farms and businesses. None of these can now survive in the long term without cheaper, long-term finance.

If the States don't challenge the Commonwealth's greatly increased control, the Federal system will collapse sooner or later. A State Bank would be an effective instrument in the right hands.

Contrary to what Sir Robert Sparkes claims, NOBODY believes a State Bank would be the source of "unlimited quantities of money". He is seriously insulting the intelligence of Queenslanders by continuing to peddle such nonsense.

Contrary to what Sir Robert Sparkes has claimed, the establishment of a State or Parliamentary Bank would be of great electoral advantage to the State Government. It is now a serious handicap for the Premier (Bjelke-Peterson-ed) that this vital policy appears to be thwarted by a small element within the coalition government, against the wishes of a large number of Queenslanders. This is giving quite unnecessary advantage to Mr Keith Wright and the A.L.P.

Contrary to what has - rightly or wrongly - been imputed to Sir Robert Sparkes and Dr Edwards, the State Savings Bank Agreement with the Commonwealth in no way prohibits the establishment of a State Trading Bank. The two are entirely different issues.

*THE TIME FOR THE ESTABLISHMENT OF A STATE BANK OR PARLIAMENTARY BANK TO COUNTER THE MONOPOLISTIC ATTACK ON THE FEDERAL SYSTEM AND FREE PRIVATE ENTERPRISE IS LONG OVERDUE. It is a tragedy that two badly informed leaders have helped to delay it further. ***

A Just Financial Policy

The financial system is a man-made system, with financial-policy altered at will. The obvious and never asked question is 'whose will' - ours, or central banks?

Are the people of the States to pursue financial policy that would benefit themselves, or, are the politicians and bureaucrats to pursue financial policy for the benefit of the monopolist? Coalition and Conservative policy is to benefit the monopolist, be sure about that. Sir Robert Sparkes and Dr Edwards are not the exception, but rather the rule for party politicians. Labor and Green policy is also to benefit the state as the monopolist. The only variance between these two major political groups is which branch of monopoly will manage the people. Neither will look at this question of financial-policy to benefit the people.

The Commonwealth Stories - Volume 1 by DJ Amos 'The Story of the Commonwealth Oil Refineries and the Search for Oil' records the industrial and political sabotage against the Commonwealth, including a refusal to pay due taxes on profit. The government and bureaucracy never missed a trick. If it was not sabotaged by the drillers, or refusal to pay due taxes by the trans-national corporations, it was the bureaucracy attempting to aggrandise themselves (ever expand their sphere of influence at the expense of any successful results). A feeding frenzy of selfishness.

Drilling attempt after attempt after attempt ended in sabotaged-failure. No doubt, should Australia and/or the states attempt to re-establish a just and legitimate financial policy through a internally-orientated banking policy, every effort by the MSM, industrial, political and military jackals, (with untold expense accounts), will be directed to cause us to fail. But despite this high probability of subversion, infiltration and sabotage, try we must if we are to hold the slimmest chance to restore our ancient rights and freedoms. There is no room for freeloaders M Latham!

None of this hopeful thinking can even begin until we regain control of the political processes. Representative government is a thing of the past since the establishment and discipline of political party system. The Senate, instead of being the state's house to represent the interests of each state, has become the plaything of these parties. With not even a mere suggestion of a legitimate financial policy on behalf of Australia's national interests, politicians alike can be discounted as unwilling to pursue national orientated policy. No matter which brand of politician you look at, 'monopoly' is the only policy being promoted and pursued. [Australia Wakeup](#). [There are traitors amongst us](#).

We must look internally to find resolution to this critical situation. The Kingdom of God is within!

Further Reading

Eric Butler has written two excellent papers to bring this week's *OnTarget* to close.

A Defence of Free Enterprise and the Profit Motive & The 'Achilles Heel' of the Conservative Movement

<https://alor.org/Storage/navigation/Library1.htm>

On Target is printed and authorised by A. J. Luks
13 Carsten Court, Happy Valley, SA.

Telephone: 08 8322 8923 eMail: heritagebooks@alor.org