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"HOW BRIGHT THE VISION?"

Jeremy Lee

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by

Jeremy Lee

A PICKFORD PRODUCTION

First printing: April 1999.

Published by	:	Pickford Productions Pty. Ltd.
Printed by	:	SX Printing Pty. Ltd., 1 Neil Street, Toowoomba, Queensland 4350.
Typeset and Cover design	:	Pickford Productions Pty. Ltd., M/S 897 Ravensbourne, Queensland 4352.

ISBN: 0-646-37170-3

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FOREWORD.

This book is written as a sequel to "Australia 2000 - What Will We Tell Our Children?", first published in August 1997.

The global survey in that book, with emphasis on the Australian situation, provided the evidence that economic rationalism and globalism are leading us towards a momentous crisis, although no attempt was made to forecast when and where it would break.

By the fourth print-run in August 1998 the beginning of the predicted crisis was to be seen in the 'Asian meltdown", the collapse of the Russian economy, the world-wide malaise of unemployment and poverty with the concentration of enormous wealth in a small and decreasing number of hands, and the massive wave of speculation which was the feature of the major world stock markets.

By the start of 1999 general forecasting had divided into two camps: first, the politically self-righteous who, in a public show of confidence, assured their electors that the crisis was receding and the future bright. Australian politicians particularly, made much of their claimed success in "fireproofing" the country against the Asian malaise or, as the deputy Prime Minister suggested, building a "safe harbour" in Australia for foreign investment fleeing even more volatile and dislocated economies.

The second camp consisted of economists and officials with a lesser stake in maintaining the infallibility of their political counterparts. Most expressed bewilderment that global economics no longer responded to accepted mantras and conventional modelling. A growing number acknowledged that the International Monetary Fund - a body ostensibly created to stabilise national economies and solve financial crises - had in fact immeasurably worsened the condition of the patients they aimed to heal.

It gradually dawned on decision-makers that economies could no longer be stabilised by credit squeezes - if they ever were. The resulting hardships not only threatened the social fabric of nations, but spread from one to the other with frightening rapidity. The only alternative was a global version of Keynes' New Deal pump-priming - the creation of additional finance in the form of budget deficits aimed at stimulating sufficient activity to repay the previous round of debt-growth. How this could be done without at the same time starting a further round of inflation nobody could explain. But this did not deter those in power from attempting the impossible. The result was to keep all economic activity in a state of semi-paralysis, in which the attrition rate is enormous. Wages were to be reduced and less 'efficient' industries and businesses sent to the wall. The IMF would take over this task from the national central banks which had previously supervised 'pump-priming'. It was considered 'de rigueur' that national governments should forfeit the right to act unilaterally when it came to 'printing money' for 'pump-priming' - or for any other purpose.

The most amazing example was Japan's creation, at the urging of the IMF and the US, of between $US800 and $900 billion in new money in an attempt to recapitalise its banks and persuade the Japanese people to start spending again. The whole of this sum was added to Japan's public debt, now rising to about 140 per cent of GDP. The alternative - writing off debt - was never even considered.

So options have been narrowed to various choices about how best to stimulate 'recovery' by the most judicious use of debt-expansion, under international supervision, of course.

The sorry culmination in this exercise of futility was the World Economic Forum, held in Davos, Switzerland, in the first week of February, 1999. While there was general agreement on the need for a remedy, there was complete paralysis on what form the remedy should take. In contrast to politicians, who know only one tune to whistle in the dark, a number of world-recognised forecasters believe that the crisis will intensify, either in 1999 or soon after the turn of the century, with global depression a likely outcome.

It need only be said that the behavioural constraints which held societies together in earlier crises are now much more likely to dissolve. Cohesion and discipline will give way to anarchy, unless at least a minority can be forewarned and forearmed against such a possibility.

Financial breakdown is only one of what seems to be a convergence of crises as the , approaches. There is widespread revulsion with the democratic process, which has been corrupted by party politics. The Y2K 'millennium bug' may yet prove to be the ultimate trigger for disruption. The morass of laws and regulations often immobilises the engine of recovery. The alienation of youth, which feels outlawed from society, has replaced hope with anger.

All these perceptions are now shared by hundreds of thousands of people. There is a concentrated search for viable alternatives which 'establishments' seek to suppress. The main establishment-immobilisers fall into three categories - finance, politics and the mainstream media, which have their own agenda.

This book may, I hope, help to define the nature of the approaching crises, and offer some alternatives. If it serves this purpose it will certainly vindicate its publication.

On January 23, 1999, on the eve of his visit to Mexico and the US, the Pope issued a statement containing the following:

" .... If globalisation is ruled merely by the laws of the market applied to suit the powerful, the consequence cannot be anything but negative. The consequences are, for example, the absolutising of the economy, unemployment, the reduction and deterioration of public services, the destruction of the environment and natural resources, the growing distance between rich and poor, unfair competition which puts the poor nations in a situation of ever-increasing inferiority .... And what should we say about the cultural globalisation produced by the power of the media? Everywhere the media impose new scales of values which are often arbitrary and basically materialistic, in the face of which it is difficult to maintain a lively commitment to the values of the Gospel.

Another negative aspect of globalisation is massive external debt. Among the causes which have helped to create this debt are high interest rates, caused by speculative financial policies. But among other causes are the irresponsibility of people in government who, in incurring debt, have given too little thought to the real possibility to repaying it ...."

It was more passionately expressed in a letter to the Editor, which appeared in *The Australian* five days later - on January 28, 1999. The writer was Antonia Feitz, from northern New South Wales:

" ... It is a mystery to me how anybody can justify an economic and financial system that has brought down entire nations, that has nations in such massive debt they cannot act independently, that insists nations lower their workers' wages and conditions, that slashes the social fabric of once-decent societies, that has left a third of the world's workers unemployed and that is profoundly undemocratic in that decisions are made by unelected people like Michel Camdessus.

But obviously the pickings are great at the top end of town.

Civilised people used to think that a nation's economy should be managed for the benefit of all its citizens, not just for the benefit of investors, domestic or international, as happens with globalisation.

Australia's national ethos used to be that of the "fair go"; now it does not raise an eyebrow when politicians, economists, bureaucrats and other opinion-makers speak openly of "winners" and "losers". That this fatalistic notion goes unchallenged is an indictment of Australian society, and especially of its intellectuals.

Perhaps we haven't got any.

Globalists' concerns for the unemployed are bogus. Globalists themselves exported all the jobs, and the system itself demands unemployment ..."

Antonia Feitz has said it all - except, perhaps, that behind the tumult is design. That design is directly opposed to the freedom of ordinary human beings. There is a war being fought for the world. None will escape its final outcome. It now behoves those whose lives are at stake to join forces in protecting themselves and their children, their families, their communities and their freedom.

Jeremy Lee.
Toowoomba,
April 1999.

CHAPTER ONE
FINANCIAL CONVULSION

"The Chancellor of the Exchequer is a man whose duties make him more or less a taxing machine. He is entrusted with a certain amount of misery which it is his duty to distribute as fairly as he can."

Robert Lowe, Viscount Sherbrooke, (1811-1892),
House of Commons, April 11, 1870.

Globalism has, by an induced programme for international monopoly, divided the world, economy by economy, into super-rich and destitute. The belief so obvious in political parties that the Welfare State can use taxation to redistribute wealth has demonstrably failed. In fact, it has worsened the situation The result is that politicians have pressed even harder for this impossible ideal.

It results from a false analysis of the problem. It wrongly assumes there is adequate purchasing power in the community as a whole, and that taxing the rich to help the poor is the obvious correction.

It fails entirely to realise that if the original source of money is limited to the creation and lending into circulation, at interest, of a community's money system, the result must be the generation of costs at a faster rate than the means to liquidate them. The redistribution of income by taxation does not solve the disparity. It simply strengthens and divides the powerful from the poor. The powerful merely devise ways to pass their costs on to those weaker and more vulnerable.

In Australia, just before Christmas in 1997 a number of welfare agencies reported that the number of homeless families seeking accommodation had reached crisis point. Spokesmen for the Salvation Army, Hanover Welfare Services and the Council to Homeless Persons said high rents, unemployment, family breakdowns and long queues for government housing meant many families were without a roof over their heads. Figures from member-agencies in the field reported a 400 per cent increase over the previous six years in homeless families seeking accommodation.(1)

In June 1998 the Queensland division of ACOSS reported a 100 per cent increase in demands on welfare agencies who were increasingly unable to meet basic needs.

The situation had been confirmed three months earlier with a report by the Melbourne University Press, **"Australian Poverty: Then and Now."** It said:

"...On an income measure, the proportion of units in broadly defined poverty increased by one-third to a total of 30.4 per cent in 1996, compared with 20.6 per cent in 1973 ..."

Geoffrey Barker, writing in *The Australian Financial Review* said of these figures:

"If, despite the economic growth to which the Treasurer, Mr Costello, proudly points, something like nearly one-third of Australian income earners are poor, it is impossible to avoid the conclusion that the Australian economy is failing to generate sufficient wealth to enable large numbers of people to function adequately as consumers. That is grim news for suppliers ...."

The Governor-General, Sir William Deane, launching the report, said:

"The ultimate test of our worth as a democratic nation is how we treat our most disadvantaged and vulnerable ..." (2)

The Melbourne report, apparently, had no effect. By November 1998 *The Australian* reported:

*"Rising numbers of low income earners are being turned away from welfare organisations as the community sector struggles to cope with increased levels of poverty. The disturbing findings form part of **Australians Living On The Edge**, a national survey of more that 500 frontline community agencies conducted by the Australian Council of Social Service and audited by A.C. Nielsen. It shows the community sector to be under enormous strain, with 65 per cent of agencies reporting increased demand in the past six months. But many people are going away empty-handed with almost half of agencies recording a rise in the number of clients they have been unable to help ... Of the 348 agencies reporting an increase in demand, 56 per cent described themselves as 'stretched at present' and 23 per cent as 'not coping' ... The biggest issues facing the agencies were the 'impact of changes in government policies', 'major funding concerns', and the 'inability to meet client needs'...."*(3)

Despite a bigger allocation of the national budget to welfare, poverty had nevertheless increased by one third. For example, total budget outlays in 1985/86 (two years after the Hawke government took office with Paul Keating as Treasurer) were $70.9 billion, of which $32.6 billion or 46% was spent on health, education and welfare. In 1998/99, total outlays were $141.6 billion, of which $87.1 billion, or 61.5% was allocated to health, education and welfare.

While at one end of the scale a third of Australia now lives in poverty - in what the World Bank has cited as the richest nation in the world - the concentration of wealth at the top end of town is staggering. Consider this description:

"Since 1993 the share of the nation's wealth held by the richest 10 per cent has increased by almost five percentage points, from 43.5 per cent to more than 48 per cent ... Over the same period, the richest one per cent of Australians increased their share of national wealth by almost three percentage points, from a little over 12.3 per cent to 15 per cent .... The new wealth divide has been buttressed by globalisation, which is concentrating employment and high income opportunities in the centre of cities while marginalising their industrial fringes and rural and regional Australia .... In the mid-1980s there were about 25,000 millionaires in Australia. By 1993 there were 71,700 of them according to Access Economics. In the five years since, the number rose by more than 60 per cent, to 188,200 people. Their share of total wealth almost doubled to 21.5 percent, rising from $136 billion to $377 billion between 1993 and 1998 ...." (4)

The widening division between rich and poor is widely conceded to be a result of globalism. Stephen Long described it thus:

"Globalisation has fragmented the Australian labour market, dividing its cities and regions into districts of success and districts of failure. The centrifugal forces of the global economy are tearing at the ties that bind the citizenry, bestowing greater wealth and privilege on the most skilled and educated, while scuppering the job prospects and living standards of the less skilled. Some peoples' boats are rising. Some peoples' boats are sinking. And the old solutions don't work any more.

"We are witnessing the uneven development, the marginalisation of localities and the unequal distribution of employment opportunities that are part of the

dynamics of the global city," says Mark Cole, director of employment and occupational research at the National Institute of Economic and Industry Research.

"The economic gap between Australians from different parts of the city has widened to an extraordinary degree," says Professor Bob Gregory, of the Australian National University, one of the country's foremost labour-market economists. "The poor are increasingly living together in one set of neighborhoods and the rich in another. One half of Australia does not know how the other half lives, and this is not a good thing."

Globalisation is splitting cities along fault-lines of employment opportunity, dividing the wealthy boroughs where "knowledge workers" reside from the marginalised industrial suburbs housing "routine producers" and the jobless. It is feeding an exodus of low-income earners to "lifestyle regions", where families get by with a form of poverty in the sun. It is depopulating rural regions, amplifying differences between the State capitals, and carving out a new division of labour..." (5)

The division between super-rich and destitute in Australia has its counterpart throughout the world. The following information was set out by The Commission on Development for the World Conference on Religion and Peace (WCRP) on November 17, 1998:

"... Inequalities in consumption are stark. Globally, the 20% of the world's people in the highest-income-countries account for 86% of total private consumption expenditures - the poorest 20% a minuscule 1.3%. Industrial countries, with 15% of the world's population, account for 76% of global consumption expenditure. The richest 20% of the world's people:

* *Consume 45% of all meat and fish, the poorest fifth 5%.*
* *Consume 58% of total energy, the poorest fifth less than 4%.*
* *Have 74% of all telephone lines, the poorest fifth 1.5%.*
* *Consume 84% of all paper, the poorest fifth 1.1%.*
* *Own 87% of the world's vehicle fleet, the poorest fifth less that 1%.*

The enormity of the wealth of the ultra-rich is a mind-boggling contrast with low incomes in the developing world:

* *The three richest people have assets that exceed the combined GDP of the 48 least developed countries.*

* *The fifteen richest have assets that exceed the total GDP of sub-Saharan Africa.*
* *The wealth of the 32 richest people exceeds the total GDP of South Africa (pop. 40,600,000)*
* *The assets of the 84 richest exceed the GDP of China (pop.1.2 billion)*

Estimates show that the world's 225 richest people have a combined wealth of over $1 trillion, equal to the annual income of the poorest 47% of the world's people (2.5 billion). (6)

The number of spokesmen who recognise the dimensions of the social crisis is pitifully few. One of the most impressive is Fred Argy who, more than anyone else, set in motion Australia's programme of de-regulation and globalism. Mr Argy has made it clear that he is apprehensive about the breakdown, and lays the blame at the feet of the banking fraternity.

Writing in early 1999, Fred Argy drew attention to what is happening:

" ... We are witnessing a dual economy at work across the world - in the real economy we have moderate to high unemployment, fierce competition in product markets, subdued wages, low product inflation, a decline in the range and quality of public services, a squeeze of low-income home-buyers out of inner areas and growing inequalities in wealth and quality of life .... Can this really go on? ... It creates an explosive contradiction between two economies and between haves and have-nots ..." (7)

Many of his counterparts are either oblivious to the social mayhem, or else believe it is a process of "breaking eggs to make an omelette". Terry McCrann, who apparently believes that Australia 'escaped' from the violence and breakdown evident in Asian economies at the end of 1998, attributed the miracle to:

" .... fifteen years of painful economic reform. Without the 1983 float and financial deregulation, without the 1988 and 1991 tariff-cut schedules, without strong national securities and competition laws .... we would not now be seeing exceptional economic growth while around half our export market is in recession...." (8)

That's a very long bow. McCrann went on:

"....Financial deregulation, tariff cuts, enterprise bargaining, investment in plant and equipment and infrastructure, in quantity and technological depth, help

build productivity. And, absolutely crucially, destroy jobs. The best way - the only way - to create more jobs, better jobs, higher-paid jobs, healthier jobs, is to destroy existing jobs. That's exactly what we've been doing for the past 2000 years, although we've been doing it better, on and off, for the past 50 ...." (9)

McCrann never mentioned that, for every 'better' job created, several were lost; nor that it is generally accepted that the reduction of real wages as a measure of efficiency is a continuing part of the process. Until some means of distributing fresh purchasing power **outside** the employment system is adopted, the only options - other than breakdown - are war or universal wage-slavery in some global feudal system run by a small number of bank/transnational conglomerates. The needed supplement to aggregate purchasing power cannot be effected by taxing the employed for transference to the unemployed. It can only come from a different use of annual increases in the money-supply; which means direct confrontation with a huge vested-interest power structure monopolising the existing system.

The multinational stranglehold over production, and therefore employment, has been widely documented (see Australia 2000: What Will We Tell Our Children? - Jeremy Lee). The pace of takeover has not diminished. This report illustrates the growth:

"Despite the world economic crisis, the pace of multinational companies' expansion overseas is expected to reach record levels in 1998, a new international report has found.

The United Nations Conference on Trade and Development has forecast that even though the economic crises in Asia and Russia have thrown a quarter of the world's economies into recession or worse, multinational companies have not slowed the pace of their overseas growth. UNCTAD expects a 10 per cent gain in foreign direct investment to between $430 billion and $440 billion this year ...." (10)

How has the present uneasy illusion of economic stability in Australia been achieved in the face of loss of export markets, the continued current-account deficit resulting in horrendous growth of the foreign debt, producing what economists are pleased to call a "strong domestic growth pattern"?

Economist Ross Gittins explained:

" ....The people who manage our economy have been marvelling - and patting themselves on the back - over the way it has so far kept steaming on despite the drag from the Asian crisis. This good news is attributable mainly to the fact that consumers, you and me, have kept spending . Indeed, our spending has been growing faster that our incomes .... We haven't been saving, we've been borrowing. Over the past year, household borrowing has grown at double the rate of household incomes. At the end of September, households' debt to banks and other financial institutions exceeded $270 billion, up 13 per cent on a year earlier. Most of that, about three-quarters, was borrowing for housing. The remainder is personal borrowing and debt on credit cards. It's grown much faster, by 17 per cent .... Where is all this household borrowing leading us? If you compare the level of all household debt with the total annual disposable income of Australian households, you find that in the decade to 1993 it rose from 40 per cent to 60 per cent. And in the five years since then, it's shot up to more than 80 percent. ....." (11)

In fact, this is true of all economies. The very nature of current money-creation policy decrees that borrowing **must always** exceed income. If the Australian figures are shocking, consider the position in the US:

".... There were features of the US economy which were and remain deliquescent. The most obvious and worrying of these is the collapse of household savings in the US to a condition where spending now exceeds income. To some extent these negative savings are a statistical illusion in that household income does not include capital gains.

"The most spectacular of these capital gains have been recorded in the stockmarket. For four years in a row the Dow Jones Industrial Index has recorded gains of more than 15%. For the 10-year period ending December 31, 1998, the Dow Jones industrial average showed a 325% increase - the largest 10-year gain on record. The past decade has seen an explosion in the number of households that have invested in equities either directly or through mutual funds Assets of mutual funds are nearly equal to total bank deposits. US household capital gains have not been restricted to the stockmarket. Housing prices have also climbed, though not to the same extent. The dependence that US households have now developed on capital gains is a nightmare in terms of economic management ...". (12)

Capital gains are only a temporary reality during a period of growth and stability. The situation in the US is such that there is now no connection between the explosion of the stock market and economic reality. Most of the money invested has been borrowed in the expectation that capital gains will provide households with some long-term equity. If the stockmarket bubble bursts, the results will be horrendous.

Veteran economic forecaster, and Editor-in-chief of *The Bulletin* Max Walsh, in a sensational article in mid January, suggested that Alan Greenspan, head of the US Federal Reserve, manipulated the markets last year to stave off the threatened collapse:

" ....*Wall Street is now effectively a rigged market. While conventional wisdom instinctively rejects such a proposition, the evidence of deliberate market manipulation is there to be seen .... Greenspan and co. acted the way they did because they saw the developments in global financial markets - particularly LTCM* (i.e. Long-Term Credit Management, a "hedge-fund" operator, which had heavily overborrowed on behalf of investors and gambled on a continued rise in stocks) *in their own back yard - feeding into the non-financial sectors of the economy. The Asian meltdown, which had reduced vibrant economies to basket cases almost overnight, provided a grim case study of financial contagion ....*" (13)

What happened? The Federal Reserve used tax funds to bail out a hedge-fund operator who, on behalf of clients, had both over-borrowed and gambled on a continuing expansion of the stockmarket 'bubble'. Those who had funded the hedge-fund operator LTCM were the big Wall Street banks. If LTCM was allowed to reap the whirlwind of its own folly, the bankers would lose their money. The New York deputy governor of the Federal Reserve, Peter Fisher, was the 'convenor' who set up the necessary arrangements, described by Max Walsh as follows:

" .... *It was Fisher who heard the rumours circulating about LTCM, examined its books and set up the meeting with LTCM's creditors, who represent what could be called the big end of Wall Street. The Fed's brokering of this deal, which involved a $3.5 billion bail out, testifies to the close and mutually supportive relationship between it and the major investment banks. All of these facts, which are on public record, illustrate that the US financial markets are subject to a much* *greater degree of official "guidance" than is commonly understood to be the case .... some analysts believed that the US was engaged in the same form of market rigging as Hong Kong, and was quietly using a $US40 billion slush fund, known as the Exchange Stabilisation Fund, under the direct control of Treasury secretary Rubin ...."* (14)

With this action the Federal Reserve may have bought a little time. In doing so, it artificially propped up selected stock-market prices beyond any true value which might have been established by market supply-and-demand. But the bust, when it comes, will be even more intense. Max Walsh concluded his article:

" .... Eventually all bubbles burst. But, as Japan demonstrates, this can take longer than anyone expects ....the longer the bubble inflates, the more painful the bust."

The cosy club which manipulated the market was described even more succinctly by Professor Jagdish Bhagwati, Professor of Economics at Columbia University in New York at the end of 1998:

" .... First, led by the United States Treasury, which is headed by Secretary Rubin who comes from Goldman Sachs, the IMF, which is closely reflective of US views and Wall Street, pushed aggressively for free capital mobility around the world. I have christened this group the Wall Street Treasury Complex, to indicate how these ... men go back and forth between Wall Street and the Washington institutions led by US Treasury but embracing the State Department, Commerce Department, the IMF, and the World Bank, forming a networking "power elite" ... (15).

The danger illustrated by *The Bulletin* in January was re-iterated by *The Australian Financial Review* in February. The Editorial on February 18 suggested the Millennium Bug would be overshadowed by a bigger and more serious threat:

".... Perhaps the real millennium bug, in that case, is the serious threat of a collapse in the global economy .... This might seem a gloomy view, but there are still major challenges, and significant obstacles, lying in the path of the world economy. The Asian crisis may have given us all a jolt, but the dangers ahead are potentially catastrophic .... Buoyed by Wall Street's internet-driven hysteria, the US stockmarket is now in serious danger of a major meltdown. As long ago as

December 1996, US Federal Reserve chairman Alan Greenspan issued a warning about the "irrational exuberance" of the US equity market. The Dow Jones index has risen by a further 43 per cent since .... Such flagrant overspending cannot go on for much longer. Sooner rather than later the bubble will burst and it will all end in tears. And if the US economy keels over, you can say goodbye to any optimism in the medium-term outlook for the rest of the global economy ...." (16)

The world is going bankrupt. Until it does, the few who can survive the process become super-rich. The many who slip backwards retreat into deeper and deeper poverty. It is not something new. It has been going on a long time.

What is likely to happen? The extension of financial meltdown, or a worsening of Australia's trade position will lead, sooner or later, to a tightening of the lending process - higher interest rates, debt foreclosures, with a resulting retraction in industry and a rise in unemployment. Such a situation is likely to tip a stressed and divided Australia over the edge.

Economist Terry McCrann is at least alive to this likely outcome. In the first of two major articles in late January he said:

"Be warned. Be seriously warned. The chances of some form of global financial catastrophe are rising rapidly. Forget about the 'Y2K problem'. We have to survive the increasingly likely 'Y1999K problem' first ... It is ... possible to see certain types of financial catastrophe tipping either the world economy or our own local economy into recession .... It's much easier to call the increasing chances of 'some sort' of financial disaster than to detail exactly what will, and when it might, happen. There are just too many disasters-in-waiting now brewing.

They include the Brazilian meltdown and the really ominous bankruptcy of one of China's top financial houses. Plus, crucially, the crazy boom in American internet stocks which makes all previous 'irrational exuberance' on the share market look like prim conservatism. Any one of these - plus some other problems like Japan's continuing financial crisis - could develop into a fully-fledged catastrophe. And then who knows what might happen .... The risks are clearly financial volatility with exchange rates and interest rates fluctuating wildly and the increasing risk of a United States stockmarket crash. The risks are of more Brazils, more bank losses, more Chinese collapses - maybe even the 'Chinese shoe' finally dropping and, most ominously, financial institutions going belly-up in

America ....The biggest domestic problem we (i.e. Australia - Ed.) *face is our exploding current account deficit* (i.e. the continually-growing foreign debt - Ed.). *That, even with a relatively buoyant world economy, will head through $30 billion this year and next. And if the world economy stumbles ....*" (17)

McCrann continued next day, under the heading THERE'S A DISASTER WAITING TO HAPPEN. BUT WHAT ... AND WHEN?:

"*In our own domestic case, the better disaster analogy is probably a tidal wave . That, as 1987 showed, we would probably get a sort of warning when we woke up to news of the disaster about to hit. The other difficulty of prediction flows from precisely what's causing the concern; there are just so many potential disasters bubbling away out there. It's impossible to know which one or group might prove the one(s) to trigger the broader global spiral. Although clearly one stands out: Wall Street. .... Wall Street replaying 1987, or even worse, would not only have a savage direct impact across America, but fairly obviously take us all along for the bumpy downhill ride .... In highlighting what a remarkably good year we had last year, and we most seriously did, it has been overlooked how close we still came to potential disaster ....*" (18)

This analysis is realistic. Any erosion in Australia's position which forces the Treasurer and the Governor of the Reserve Bank to take action in the form of higher interest rates will trigger enormous dislocation.

There is nothing physical in Australia's economic environment which necessitates further suffering for the Australian people. The release of the nation's credit as has been done in times past - particularly during the World Wars - requires digging up from the history-files and re-examining (again, see Jeremy Lee's *Australia 2000 - What Will We Tell Our Children?* (19)) the alternatives which could take Australia through with the minimum of dislocation. Because this would mean some 'lateral thinking' over banking policy, it is safe to say there is no current party politician who would consider this option - unless under unprecedented demand from an informed electorate.

(1) *The Sun-Herald*, December 14, 1997

(2) *The Australian Financial Review*, March 17, 1998
(3) *The Australian*, November 5, 1998
(4) *The Australian Financial Review*, (Weekend), 9,10 January, 1999
(5) *The Australian Financial Review*, (Weekend), 24,25 October, 1998
(6) Published by The Commission on Development of the World Conference on Religion and Peace, (WCRP) on information drawn from the United Nations Development Programme Report, Oxford, 1998.
(7) Fred Argy, letter to *The Australian Financial Review*, January 8, 1999.
(8) *The Weekend Australian*, 12,13 December, 1998.
(9) Ibid.
(10) *The Australian Financial Review*, November 12, 1998.
(11) *The Sydney Morning Herald*, 11 November, 1998.
(12) Max Walsh, "The Rigging of Wall Street", *The Bulletin*, January 19, 1999.
(13) Ibid.
(14) Ibid.
(15) *The Australian Financial Review*, November 19, 1998.
(16) *The Australian Financial Review*, February 18, 1999. (Editorial)
(17) *The Courier-Mail* (Queensland), January 19, 1999
(18) *The Courier-Mail* (Queensland), January 20, 1999.
(19) *Australia 2000 - What Will We Tell Our Children?* - Jeremy Lee: ISBN: 064636223: available from Pickford Productions Pty Ltd. M/S 897, Ravensbourne, Qld. 4352 - $20 posted.

CHAPTER TWO
THE MILLENNIUM BUG

" The mother of mischief is no bigger than a midge's wing".
Old Scottish Proverb, circa 1628

*"Big bugs have little bugs upon their backs to' byte' 'em;
And little bugs have littler bugs, and so ad infinitum."*

It seems incongruous that, at a time when such calculated manipulation of power structures across the globe is the order of the day, a technical glitch in an electronic information system should threaten a massive crisis of its own.

Through 1998 and early 1999 the warnings and predictions about the Millennium Bug have escalated into a torrent. The major feature has been confusion; not about technical aspects of the problem so much as what will happen.

The truth is that no one knows. Forecasts vary from the apocryphal to the humdrum. Those who hear about it for the first time tend to react as though it will be no more than a brief moment of discomfort which will be solved without major disruption.

It is going to be very much more than that.

Across the world something in the region of $1.4 trillion is being spent by governments, corporations, local councils, private companies and small businesses to deal with the problem. For many it is too late. For others there is no way they can be sure that two or three years work and as much preliminary testing as possible has guaranteed immunity from major breakdowns.

At its worst the Y2K problem has the potential to paralyse water and power systems, transport, communications, sewerage, traffic, government taxation and welfare systems, plant control systems, security access control systems, elevators and lifts, air-conditioning, fire detection systems, weighbridges, office equipment, measuring devices, CCTV systems, laboratory analytical equipment, sales systems, stock control, customer and supplier communications, staff payrolls, accounting, air-traffic control, ATMs, banking, credit cards, medical equipment, insurance policies, safes, sprinkler-systems, thermostats, timers, traffic lights and utilities. There could also be serious systemic problems - a problem in an 'uncleared' system might trigger a problem in a system considered Y2K-compliant. Enormous work has been done in all these sectors and is continuing. But because they are almost all interconnected, even those systems that have been 'cleared' cannot be certain that they are immune from crisis.

Already in a number of countries both police and military are being trained to handle potential panic and disruption.

State and Federal governments have their own task forces. In 1998 Maurice L Newman, chairman of the Year2k National Steering Committee (and also Chairman of the Australian Stock Exchange), issued a publication for commercial Australia setting out warnings and suggestions. It did something to address the gravity of the problem, concluding with the following statement:

"Information provided by the year2k Industry Program is believed to be true at the time of publication. However, changes to circumstances, or the discovery of facts not previously known, may impact upon the accuracy of published information. Neither the Commonwealth Government nor GRI Enterprises Ltd will, in any event, be liable to any person at all, whether in negligence or otherwise, for anything published in or omitted from any publication issued as part of the year2k Industry Program ..."

Apart from a Foreword by Newman, no postal address for publication or printing was given on the publication.

The actual problem sounds simple enough. Many computer programmes and electronic equipment devices round the world have problems handling dates after December 31 1999. They have been programmed to work on the basis that every year starts with '19', so they treat January 1, 2000 as if it were January 1 1900. Unpredictable results can happen, and identifying them can be exceedingly difficult. The year 2000 software and hardware bugs have the potential to bring systems to their knees for hours - or years.

What, for example, would happen if local telephone systems failed for a month? Or an electricity grid for a quarter?

Apart from mainframes and PCs, many time-related computer chips embedded in electronic systems (in cars, microwaves, cell-phones to name a few) will not handle the year 2000 rollover and may stop working or give erroneous, unexpected results.

Some companies have been working on the Millennium Bug problem for four or five years. Others are only just starting. For the latecomers it may well be too late.

On April 20, 1998 *The Australian Financial Review* produced a special 16-page supplementary Report on the Millennium Bug. Emma Connors wrote:

"There is no longer any question of it: the Year 2000 problem is real, it's expensive and the potential damages are enough to prompt legal action. Actual systems failures are beginning to displace dire predictions ...While the myths are colourful, the reality is harder to dismiss.

A recent study by the Technology Association of America found 44 percent of the 450 companies surveyed had experienced information system failures because the systems could not process beyond 2000. ...."

Kath Cummins reported:

"The predictions read like a Hollywood script: power generators shut down, trains collide, hospital equipment fails and automatic prison doors are flung open.

Embedded chips have been described as the "forgotten millennium bug" and tracking down those at risk is described by industry experts as "a business-critical exercise in sleuthing".

Unlike information technology systems and software which can be overhauled centrally, embedded chips are difficult to find and even harder to test. "Embedded chips are the most insidious of things. They can control everything from lifts and air-conditioning to intelligent transport systems and the chemicals added to the water supply", said Mr Thom Fox, who manages automation projects for consultant engineers Sinclair Knight Merz.

Embedded chips result from the evolution of increasingly smaller microprocessors. They typically control automotive functions in "stand alone" equipment including building automation, security and life support systems, *pumps and office equipment. The chips can also be literally "embedded" - encased in silicon or another material to function in extreme conditions like mines or at the ocean bottom.*

Power and water utilities, manufacturers, telecommunications and mining companies are among those seeking the help of engineering consultants to identify those chips which control business-critical functions and are "date-aware". However, while many larger businesses are testing their IT systems for millennium-compliance, according to a recent survey by Coopers & Lybrand only 6 per cent of companies had looked at their non-IT systems and equipment.

"This could make our estimates of a $5.5 billion compliance bill for Australian organisations hopelessly conservative," said Mr Mike Bridge ....

One global study, released in December 1997 by the Gartner Group of consultants, predicts the failure of 50 million embedded system devices. The US computer industry has forecast a failure rate of 500 million, or 2 per cent of the 25 billion chips installed in electronic components worldwide, but cannot identify which 2 per cent ...."

On the health front, Beverley Head reported:

" ... Australia's hospitals are grappling with the year 2000 problem - many already acknowledge that machines from ultrasounds, which measure tumour and foetus sizes, to cardiac defibrillators will not work properly come 2000 without remedial action. One survey of a private hospital by Health Care of Australia, the country's largest private hospital organisation, found that although 35 percent of medical instruments would continue to work in 2000, about 9 per cent would not - and the fate of more than half of all machines was unclear ..." (1)

On August 5, 1998 Kate Carnell MLA, the Chief Minister in the ACT Legislative Assembly, replied to the queries of a concerned constituent in a personal letter which said, *inter alia:*

"...The ACTEW Corporation established a Year 2000 project in 1996 to ensure compliance for its corporate IT systems, embedded systems and supply chain ... ACTEW considers that the biggest threat to electricity supply is the viability of the national grid. As a participant in the National Electricity Market, ACTEW is therefore pushing strongly for Y2K compliance. However, where ACTEW is reliant on other companies for the generation of electricity and their compliance programs, it cannot guarantee supply .... Finally, let me say that the Government

appreciates that there is no single "silver bullet" solution and that the systemic implications of non-compliance means that no isolated examples of compliance may prove either successful or sufficient ...." (2)

An example worth considering was the power shut-down in New Zealand in early 1998. One report described it thus:

"The CBD's power comes through four ageing 100kVa cables ... Through a combination of circumstances ... one failed and the load then transferred to the others caused a chain reaction with the others failing consecutively very shortly thereafter. So for the last two weeks, the CBD and its inhabitants of office towers up to 30-stories high have been without reliable or consistent mains power. Cafes and restaurants can't operate, small retailers have set up street stalls, there's no lighting, no air-conditioning, no lifts, no power to pump water to flush toilets at the higher levels, no traffic lights, and so on ..." (3)

In mid-1998 came this report:

"Many major private and public sector entities have simply failed to come to terms with the reality of the millennium bug ... According to research recently released by Gartner, there is disturbing evidence that some organisations have failed to commit sufficient time, money and physical resources to rectifying the Year 2000 problem. "Why have so many institutions, public and private, chosen to essentially ignore the crisis?" ... The short answer is that they do not believe it is happening .... Human beings are not built to believe that something that has never happened could happen, much less that it will happen." ... (4)

Australia was not alone. Four weeks later came this report:

"WASHINGTON: A congressional panel gave the US government a "D" grade last week for its efforts to fix the year 2000 computer problem. And the panel also predicted that more than one-third of the most important systems will not be fixed in time .... (5)

Ten days later came this warning:

"Employers were warned this week they risked severe penalties if they did not take precautions against the so-called "millennium bug" ....Employers covered by federal or NSW legislation have a legal obligation to pay their employees the right wages, provide payslips and maintain employment records ... The sooner employers check their payroll and other systems, the better opportunity they have to fix their problems ...." (6)

As we entered November 1998 this news gave details of the position in the UK:

Senior British Ministers are privately admitting the millennium bug could cause such chaos on New Year's Day 2000 that troops might be needed to maintain emergency services.

A letter leaked yesterday from Scottish Secretary Donald Dewar to Defence Secretary George Robertson ... startled MPs and led to questions in the Commons ... that a loss of units might leave the Government "open to criticism over a reduction of emergency provisions at a time when the millennium bug problem poses a potential threat to key services such as electricity and telecommunications. Last night the Cabinet Office was trying to play down the threat ...." (7)

Meanwhile, cost-estimates for tackling the problem continued to soar:

"The cost of fixing the year 2000 problem has soared past the $US800 billion ($1,240 billion) mark as organisations both at home and abroad continue to adjust their budgets upward ...." (8)

For those who imagine that mobile-phones will evade the difficulties of direct-line phones, the news is not cheerful:

"Major companies and governments will be hard-pressed to avoid at least some of the implications of the Millennium Bug, and not even cellular and satellite telephone networks will provide a safety net.

That is the analysis of the leading US-based Information Technology group Gartner, which has warned that cellular and satellite networks will provide, at best, only a partial solution for a limited number of enterprises. .... The Gartner research suggests that the cellular and satellite teleophony networks will fail to meet the routine communications requirements of more than 90 percent of enterprises with more than 20 exchange lines in the event of significant failures of the wired communications infrastructure through 2000 ...." (9)

As we entered 1999, the avalanche of material, sometimes contradictory but nevertheless showing mounting concern, escalated. It was evident in every country:

"Sasumu Adachi, a self-appointed crusader warning Japan to prepare for the millennium bug, plans to spend the turn of the century outside Tokyo. Mr Adachi, an author who writes about the problems computers face as the millennium dawns, said, "Japan is going to melt down. I don't believe a word the

government and big companies say. I don't want to cause panic, but people should face reality ...."

Replying to the assurance by the Federation of Electric Power companies in Japan that it expected tests on all control and administrative systems, including secondary systems in Japan's 10 electricity companies to be completed by the end of 1999, *"....That's nonsense", said Mr Adachi. "How can they guarantee that every single piece of equipment embedded with hundreds of chips in that vast complex of facilities are all Y2K compliant?"...."* (10)

The experiences of one of the owners of a medium-size business in Perth, Mr Terry Stone, are indicative of a general malaise:

"... I have written about, spoken on and even begged others to consider the potential of this problem", said Mr Terry Stone, one of the four owners of the business which, with a turnover of $6 million to $7 million slots neatly into the SME category.

According to a report issued by the Australian Bureau of Statistics, 52 per cent of businesses employing fewer than four people are not undertaking Y2K work. The percentage drops to 27 per cent for businesses that employ between five and 19 people, while less than 10 per cent of those that employ 20 to 200 people are doing nothing ....If one of these recalcitrants goes under, there will be a knock-on effect to its suppliers and customers ...." (11)

On the same day as this report came this from Victoria:

"The Victorian Police has banned Christmas leave to ensure all officers are available to deal with potential cyber chaos caused by the year 2000 computer bug. The drastic precaution was ordered because of fears computer problems - combined with wild end-of-year parties - could cause chaos across the State ...." (12)

Queensland seemed more sanguine:

"The Queensland Government has been told to stop passing the buck and treat the Y2K problem as a State emergency. Australian Computer Society Queensland executive officer Bob Gentner said he did not believe the State Government was doing enough about the issue. "The latest Australian Bureau of Statistics figures show a 90 per cent awareness of the problem among Queensland's small to medium enterprises," he said. "But only 60 percent of them intend to do anything about it. That's a disaster." ...." (13)

Three days later came news that even federal bureaucrats were worried:

"Two weeks salary, a month's social security payments and five days' supply of food, fuel and medicines should be set aside in case of failures caused by the millennium bug, says a guide to parliamentary staff issued yesterday. As part of the planning on Capital Hill for dealing with computer chaos when 2000 ticks over, the Department of the Senate yesterday issued its guide for survival. Under the heading of "The Millennium Bug and You!" the guide offers suggestions for up to 4000 people who work in the building. The list does nothing to allay fears that bureaucrats never really let on how bad things could get ...." (14)

Even the high-and-mighty are not so organised as we'd like to believe: *"A number of Australian banks are behind schedule in achieving year 2000 compliance on their computer systems, according to the Australian Prudential Regulation Authority ...."*(15)

But they're trying:

"Financial regulators are escalating their year 2000 monitoring regimes in a bid to limit fall-out from the date-change problem and to force the recalcitrants into action. .... In the banking sector alone more than 3000 people are working on the problem, which consumed $200 million in a six-month period last year and is expected to cost banks $1.1 billion in total, according to the Council of Financial Regulators' report ...." (16)

Although they don't seem all that confident:

" Armoured cars will be drafted into action, the Reserve Bank's presses will roll and financial services companies have been warned their merger plans may come unstuck - all because of the Year 2000 problem. Concerns over the impact of the millennium bug took on new proportions yesterday as financial regulators joined forces to deliver the most comprehensive analysis of the computer date crisis and to warn about the consequences. The RBA has confirmed plans to print extra notes and stockpile used ones in order to meet an expected increase in demand for cash .... It will ensure enough extra cash is on hand so that people can operate without electronic funds during the opening fortnight of the next millennium .... The extra cash was, in comparative terms, "more significant" than the $US50 billion of extra currency that the US Federal Reserve had indicated it would issue ...."(17)

As January 1999 turned to February a further report detailed the remarks of Lawrence K. Gershwin, national intelligence adviser for science and technology at the US National Intelligence Council, to a congressional hearing on the "bug":

"China runs the risk that its telecommunications, power and banking networks will fail because of its lack of preparation for the millennium computer bug .... While the lines of authority for China's Y2K effort have been established, its late start in addressing Y2K issues suggests Beijing will fail to solve many of its Y2K problems in the limited time remaining and will probably experience failures in key sectors, such as telecommunications, electric power and banking .... The interconnected nature of global economics means this would in turn adversely affect US interests and thus Australia's .... Gershwin said the US intelligence community was particularly concerned about the potential impact of Y2K on the world oil industry, given its high degree of information technology dependence, coupled with the low degree of compliance from laggard countries that were also big oil producers, such as Venezuela, Saudi Arabia, Mexico and Angola. "Oil production is largely in the hands of multinational corporations in the oil-producing countries. But this sector is highly intensive in the use of information technology and complex systems using embedded processors, and is highly dependent on ports, ocean shipping and domestic infrastructures .... We are concerned about the shipping of oil products because ocean shipping and foreign ports have both been flagged as among the least prepared sectors", Gershwin said. The US imports about 50 per cent of its oil ....." (18)

Having fixed their minds firmly on January 1, 2000 as computer 'D-Day', many are now discovering that problems could occur much earlier::

"The visiting chief of a UK financial software multinational has warned of a looming millennium bug disaster which may hit many SMEs (Small and Medium-size Enterprises) less than two months from now. Mr Ian Stewart, group chief executive of QSP Financial Information Systems, said in Melbourne yesterday a large proportion of organisations with 50 to 1000 staff would run into trouble when they closed their books for the current financial year.

In the UK, Canada and Japan, where the 1999-2000 financial year begins in April, companies could run into fatal problems when they tried to roll over date-riddled invoicing, credit and debit management and general ledger systems into the new year, Mr Stewart said. What happened in April could well be repeated three months later in Australia (and in much of the US) on July 1 .... "There is a *common misconception that year 2000 problems are going to hit at the end of December this year or early January 2000. However, early April in the UK and the beginning of July in Australia, when companies do their year-end closing, are going to be interesting times for SMEs," Mr Stewart said. "Forget about planes falling from the sky; what happens if a company's financial system gets wiped? Small and mid-sized companies are in deep trouble and many will stop working. These companies may not know what their outstanding debts are, when their insurance renewals are due and how many invoices are outstanding." He said the lack of awareness about the Y2K issue in many SMEs was disturbing .... it was far too late for many SMEs to implement even a partial fix of their financial systems ...."* (19)

It was hardly encouraging to see, a few days later, an advertisement seeking help for the Victorian electricity industry. Headed INVITATION TO TENDER. YEAR 2000 COMPLIANCE - EXPERT ADVISORY & AUDITING TEAM, the advertisement went on:

The Office of the Regulator-General is the economic regulator of the Victorian electricity industry. The Office intends to review, and report to the Parliament of Victoria on, the electricity industry's program to identify the critical supply reliability risks associated with the Year 2000 "millennium bug", and implement appropriate compliance programs and contingency plans to reduce those risks to acceptable levels

To perform this role, the Office requires the assistance of a team of expert advisers and auditors led by a recognised expert on the implications of Y2K non-compliance for the reliability of electricity supply. Tenders are invited from consultants with appropriate expertise and independence ...." (20)

One can only hope the Office of the Regulator-General finds the help it needs. The rush for expert help has started:

"More than 40 per cent of companies were employing or contracting extra staff to meet Year 2000 bug compliance standards, according to a leading job index ....A massive 71.8 percent of the utility sector will increase their workforce to stamp out the bug, giving credence to the belief that some essential services may be at risk ...." (21)

Indicative of government distrust of its own and the rest of Australia's ability to avert major crisis at the turn of the century, came this news in mid-February 1999, ten-and-a-half months before the end of the century. The heading was ARMY PLAN FOR Y2K CHAOS:

"Defence forces could patrol the streets as part of a Federal Government plan to tackle civil unrest if the Year 2000 bug disrupted essential services.

Yesterday, Federal Government sources said Australia's defence forces were drafting a contingency plan for the army, air force and navy to quell any "millennium chaos" if electricity, water and telecommunications systems failed.

Sources said Federal Cabinet would weigh up the cost of involving the military against the perceived benefits before any decision was made.

Speculation that Australian defence forces would be placed on alert as 2000 arrives follows confirmation from the UK and Canada that their defence forces would be involved. .... Last week the Defence Minister's parliamentary secretary, Senator Eric Abetz, said telecommunications and utilities must be regarded as being at risk .... Senator Abetz said the $225 million spent to ensure Australia's defence systems were Year 2000 compliant had found Fremantle Class patrol boats had 16 major systems potentially subject to Y2K problems, with four F/A 18 Hornet support systems non-compliant and one still under investigation. Reports on the ability of Queensland's electricity, gas, water and sewerage supplies to avoid Year 2000 catastrophe are expected to be delivered to Cabinet in three months." (22)

A suburban newspaper in Melbourne gave this picture:

"The millennium bug is creeping up on many ill-prepared Melbourne companies and small businesses.

According to an RMIT (Royal Melbourne Institute of Technology) report, some local businesses have not yet adopted contingency plans to deal with the potential problem.

Experts fear global disruptions to main computer systems, telephones, hand-held data terminals and computer-controlled manufacturing equipment.

Already food packages with expiration dates beyond 2000 are raising havoc with existing computer systems overseas.

The RMIT report .... found more than half (55 per cent) of the 50 CBD-based and suburban businesses surveyed had not yet begun preparing for the millennium bug. They included video outlets, real estate agencies, farmers and large companies. Half say they are not sure if they will be able to combat the *millennium bug. ... The report also found that businesses in general had a minimal knowledge of the millennium bug. Fifteen per cent of businesses started their contingency plan more than two years ago."* (23)

With a mere ten months to go before the crucial date, news from Queensland was no more encouraging:

"The electricity industry has warned Queensland businesses and emergency services to make contingency plans in case the Year 2000 computer bug disrupts supplies.

Queensland electricity supply Industry spokeswoman Brenda Walker said businesses and organisations for which power losses could be critical were being advised to make back-up plans in case supply was disrupted on January 1, 2000. The police service had been warned it should ensure essential stations could provide their own power in case there were supply problems .... Electricity staff would be on standby on New Year's Eve .... "I do believe most (staff) have been told they can't have leave over that period," Ms Walker said.

She said the power industry could not guarantee supply because of a range of factors outside its control. "You can say "yes we're ready, yes we're compliant', but the rest is in the hands of the gods," she said ...." (24)

Coinciding with the Queensland statement was an example of unanticipated problems when a computer failed at the Brisbane high-security Sir David Longland prison at Wacol, disabling the prison for three days. Alarm systems malfunctioned, gates would not open. Extra staff and security had to be mustered over the period:

" .... Prison officers at the jail revealed that internal gates were sealed shut for about 11 hours during the breakdown and staff could enter the centre only through the visitors' section. "If there had been a fire in the jail we could have been burned to death," an officer said ...." (25)

It is often the smaller, unexpected things that catch even the most diligent unaware:

"The Year 2000 computer bug has already bitten, if the results from a series of tests carried out by British airports operator BAA are any indication.

Although most aviation experts are confident that aircraft and air traffic-control systems will be immune from the Y2K bug, there is concern that other areas of air transport - such as baggage handling - will suffer. Tests conducted by BAA *involved switching the date on some of its computer equipment to 1/1/2000 with the result that baggage handling systems, fire alarms and access cards failed. The baggage handling system failed to recognise the date and all bags were sent down the "missort" chute as a result ...:*

The International Air Transport Association (IATA) is now conducting an audit of all airport and aviation computer systems and will probably list those which are not Y2K compliant.

Some major airlines have already stated they will not fly to any airport that doesn't meet the standards of IATA's audit. As for Third World countries - a senior officer involved with Britain's Y2K compliance program is reported to have said: '.... It is not even clear they have heard of the problem, let alone done anything about it'. ...." (26)

In the foregoing articles, taken from the Australian media over a period of less than nine months, it has only been possible to offer a fraction of the evidence available. A number of authoritative books have been published on the issue, both in Australia and the US. There are numerous examples of major industry and utility breakdowns that have already occurred. As those sectors that hope they have fixed the problem test their systems, we can expect more standstills long before the year 2000.

There is probably more stuff on the internet on the Y2K problem than any other single issue. Some is what one commentator has called "FUD" ("Fear", Uncertainty" and "Doom"). A lot more contains sensible advice on taking simple precautions, and stocking at least some provisions.

The most sane advice is directed towards building community networks, where a number of families can help each other in periods of shortage and difficulty. The "helping hand" is merely another term for the "Digger Spirit", and is the opposite of the fearfulness that leads to looting and crime. Unfortunately, that may occur in parts of Australia. The organisation of cheerful self-help at community level is the best antidote. The opposite of fear is faith. No nation is better equipped to withstand social dislocation than Australia, provided it gives rein to the organisational ability and natural good humour of ordinary men and women. If we wait for government to solve our problems for us, we'll wait a long time. Obviously, the time to get together at local level - your suburb, your street, or your rural locality - is now.

(1) Special Report, ***The Millennium Bug,*** (16 pages, *The Australian Financial Review,* April 20, 1998)
(2) Letter, Chief Minister Kate Carnell, ACT Legislative Assembly, GPO Box 158, Canberra, ACT 2601
(3) Mercury - Was Quicksilver, now Longblack - and the Y2K Bug, by Ross Stewart, Auckland, March 6, 1998. http://www.year2000.co.nz/y2kprs19.htm
(4) Mike Taylor, article, *The Canberra Times,* August 24, 1998.
(5) *The Canberra Times,* September 14, 1998
(6) *The Canberra Times,* September 24, 1998
(7) *The Canberra Times,* November 6, 1998
(8) *The Australian Financial Review,* November 23, 1998
(9) *The Canberra Times,* December 14, 1998
(10) *The Australian Financial Review,* January 25, 1999
(11) *The Australian Financial Review,* January 26, 1999
(12) *The Sun-Herald* (Melbourne) January 26, 1999
(13) *The Australian,* January 26, 1999
(14) *The Australian,* January 29, 1999
(15) *The Courier-Mail,* (Qld.) January 29, 1999
(16) *The Australian Financial Review,* January 29, 1999
(17) *The Australian Financial Review,* January 29, 1999
(18) *The Australian,* February 2, 1999.
(19) *The Australian Financial Review,* February 5, 1999
(20) Advertisement, *The Weekend Australian,* February 6,7 1999
(21) *The Australian,* February 16, 1999
(22) *The Sunday Mail* (Qld), February 14, 1999
(23) *The Diamond Valley News,* February 17, 1999
(24) *The Courier-Mail,* (Qld.) February 24, 1999
(25) Ibid.
(26) *Australian Aviation,* March, 1999

CHAPTER THREE

THE 'PRIVATISATION' OF NATIONAL CREDIT AND 'MONEY-PRINTING'.

" This national and mainly international dictatorship of money, which plays off one country against another, and which, through the ownership of a large portion of the Press, converts the advertisement of its own private opinion into the semblance of general public opinion, cannot for much longer be permitted to render Democratic government a mere nickname ..."

Vincent C. Vickers, Governor of the Bank of England, 1910 - 1919

Under the 39 Heads of Power (listed in Section 51 of the Commonwealth Constitution) granted to the Federal Government in 1901, no less than seven directly concern banking, borrowing and the minting of money. A further three concern taxation, and another two trade.

Just as the Federal Government was granted power to legislate common weights and measures for the Australian people, so also was it empowered to make any and all necessary laws for the provision of Australia's money.

It could also make laws for the regulation of banking, with one exception - it had no powers to control or regulate Banks that were owned by State Governments, provided they did not operate outside the State boundaries concerned.

Banking is more than the lending of money. Anyone can lend money to another - a building society, a credit union, a company or an individual.

The distinguishing feature of a chartered Trading Bank is that it can 'create' additional money in the form of credit.

The position has now been reached where 'currency' (i.e. 'physical' money in the form of notes and coins) only represents about six per cent of the total volume of money. For instance, in December 1998 the Reserve Bank Bulletin listed the volume of money (monetary aggregates) as: Currency - $22.8 billion; M3 (a commonly-used term for the volume of money) - $358.6 billion.

Both these totals were an increase over the previous 12 months:

Year	Currency (Notes & coins)	M3	Broad Money
December 1997	$21.1 billion	$333.6 billion	$400.5 billion
December 1998	$22.8 billion	$358.6 billion	$433.7 billion

Source: *Reserve Bank Bulletin, February 1999.*

A number of things can be seen from these figures:

* The aggregate amount of money in Australia (M3) increased by $25 billion between December 1997 and December 1998.
* Of this increase, $1.7 billion, or about 6%, was created by the Government through the Reserve Bank.
* $23.3 billion, or about 94%, was created by private-sector Trading Banks.
* The increase in the amount of money in Australia - which did not exist previously - over the 12-month period was about $1,300 per head of population ($5,200 per family of four).

This expansion of the money supply occurs every year; a smaller increase during a credit squeeze, accelerating when the Reserve Bank believes the economy needs stimulating. The controlling mechanism is now largely confined to the raising or lowering of interest rates.

It can also be seen that the creation of Australia's monetary requirements - which many believe should be a Government prerogative - has been ceded almost entirely into private-sector hands. New money is put into circulation through loans and overdrafts, on which the 'creators' earn interest, and charge fees for operating accounts. They are not lending their own capital. They are claiming ownership of "new" money which is practically costless, and which should, in a just system, belong to the community.

It needs little acumen to grasp the power and profit which goes with such a system. It is literally, rather than metaphorically, a "licence to print money". It also places both profit and power, far beyond a normal return for services rendered, into a few private hands. It is the literal power to make or break a society.

And it is a power which is jealously guarded.

Something of the hypocrisy surrounding debate on this issue was seen when One Nation representatives suggested the establishment of a bank to provide $150 million for farmers and small businesses at low rates of interest during the 1998 federal election. The response from the Prime Minister and the Treasurer was that using "printing-press" money would be highly inflationary and jeopardise peoples' savings..

The sum suggested by One Nation was just over half-of-one-percent of the "money-printing" - a term now used to describe not just the production of notes and coin, but ANY increase in the money supply - carried out under Government policies between December 1997 and '98!

As far as I am aware only one major paper picked up the irony. Economist Kenneth Davidson, writing in *The Age*, said:

Ridicule was heaped on the One Nation director David Ettridge who had the temerity to advocate the setting up of a 'peoples' bank' with $150 million of printed money to finance low-interest loans for small business ... The ALP forgets about the history of the Commonwealth Bank ... On the 7.30 Report last week Costello left the impression that printing money was anti-Semitic as well as economically unsound. "No country in the world does that. If a government started printing notes and passing them into circulation inflation would take off in this country and destroy peoples' savings". This sent me scrambling for the latest Reserve Bank monthly statistics which show that in the year to April, the Reserve Bank under the direction of the Treasury printed or coined some $1.5 billion in new currency ...." (1)

In fact, during 1997 total new money created - of which notes and coin were only a small part - was $31 billion.

In the first 80 years following Federation private Trading banks, even though they had 'annexed' the power of money-creation with the explicit compliance of government, were nevertheless Australian in ownership and sentiment.

With the deregulation of banking under then-Treasurer Paul Keating (supported in principle by former Treasurer John Howard) two things happened. A number of overseas banks were allowed to set up in

Australia for the first time, and the major Australian Trading Banks adopted 'globalism' as their *modus operandi* and took in foreign equity, becoming in the truest sense international banks. With the world as their oyster, the drastic closure of Australian industry, the entry of multinationals with huge deals in the takeover-and-merger business, Australia's banks entered a bonanza which burgeoned through the late eighties and the nineties. Operating what was no more, in essence, than a national accounting mechanism in which they 'swapped' figures from one account to another through their Clearing House, they set their own fees for their services, moved together into increasingly-sophisticated technology which allowed them to sack tens of thousands of staff-members, and contemplated ways of eliminating the cash component of their operations altogether. The 'Cashless Society", if not quite on the doorstep, was clearly visible on the horizon.

A realistic summary of the environment in which Australia's banks were operating appeared in early 1996:

" ....*There is little doubt that the internationalisation of financial markets is of an entirely new intensity .... One consequence will be a decline in the hegemony of the nation-state and the eventual demise of national currencies. National governments already are unable to control their domestic money supplies except through the imposition of interest-rate mechanisms* * .... *We will see a move into regional currencies - such as the Eurodollar - and ultimately into a global currency. The role of national governments will be handed over to regions .... The control of these currencies will be in the hands of just a few players; the US Treasury, the Japanese Finance Department .... It is rather ironic that Australia is the leader in plastic cash money that is very hard to counterfeit. Cash will decline in importance and electronic credit will rise in importance .... There may also be a reversion to older types of transactions as some people become disenfranchised .... You will see more of a bartering system to get round taxation, such as the LETS system that operates now in Australia .... One thing that is unlikely to change, however, is human nature. This does not lead to great confidence in the future of money .... Nations, like individuals, cannot become desperate gamblers with impunity. Punishment is sure to overtake them sooner or later ....*" (2)

(* Constitutionally, it is not true that The Commonwealth Government is "unable" to control its domestic money-supply other than through interest-rate adjustments. Its constitutional powers have never been removed by a Section 128 referendum. The 1937 Royal Commission into Banking was quite explicit in outlining the powers of the Government regarding the money-supply. It is an area of sovereignty voluntarily surrendered by Government at the demand of those currently shaping global financial policy.)

An ominous example of the pressure on this issue before which politicians wilt was illustrated in June 1996 - shortly after John Howard became prime Minister - when 100 international financiers gathered in Sydney to lay out their terms for foreign investment and lending. Financial economist and journalist Peter Hartcher described what took place:

"As John Howard swept into the chandeliered banquet hall to address top executives of 100 of the world's biggest banks this week, he could hardly have known that a trap had been laid for him.

The bankers, the most internationally influential audience Mr Howard has confronted since taking office, had spent half a day discussing the price they would demand from countries round the world for bankrolling them.

In an increasingly capital-thirsty world, international financiers, the commissars of capital, have become modern potentates with the power to dictate policy to states which have long considered themselves sovereign ... By the time Mr Howard took the lectern in Sydney, the speakers at the invitation-only International Monetary Conference had already set out a check-list of policies.

Most explicit was the chairman of the big US investment bank Goldman Sachs & Co, Mr John Corzene, a former central banker, who was asked by the group to specify conditions for what he called the 'inherently blunt process that leaves many worthy initiatives and investments without resources..."

John Corzene from Goldman Sachs & Co (whose Australian Director is Mr Malcolm Turnbull - see next chapter) laid out, on behalf of those present the conditions they required for 'bankrolling' Australia. Apart from continued privatisation, tax reform, removal of protection from industries, reduction in public payrolls and pension reform, the bankers required an assurance that Australia would not follow an 'independent' line with regard to financial policy. Mr Howard was compliant. As Peter Hartcher went on:

" .... *Although Mr Howard did not spell out his full agenda, his Government is indeed moving on virtually all of the specifics nominated by Mr Corzene .... He was in short, pronounced credit-worthy in the great global competition for capital* ... "(3).

So certain is the "Gang-of Four" (as the four major Australian Trading Banks are now widely known) that Government is compliant to its whims and will not challenge its monopoly in the 'money-printing' business, that its members have moved effortlessly into total domination in corporate Australia. Their sway was well described in a *Financial Review* article at the end of 1998, from which the following extracts are taken:

"*Over the next few weeks the chiefs of three of Australia's big four banks will announce the highest profit numbers ever recorded by 'the gang of four'. In aggregate ... the big four are expected to have earned a total of $6.1 billion after tax. That staggering figure is confirmation, if any were needed, that the 1990s has been the golden era for big banks in Australia. Over a decade ... the four have expanded profits by almost 440 per cent. In round numbers, the big-bank profits have grown three-and-a-half times faster than the economy as a whole ..... Bank lending over residential mortgages exploded from $63 billion to $189 billion over the 1990s ... The banks have cranked up account fees dramatically. In 1997 the big four earned $3.2 billion more from fees than they did at the start of the decade .... The one area where banks can boost fee revenues relatively painlessly is in the market for EFTPOS transactions. Each EFTPOS transaction generates a fee (paid for by the merchant) of roughly 20 cents, which is split between the bank that provides the merchant with the EFTPOS terminal and the bank which provides the consumer with the card .... The one fact of life that Australian bankers can take for granted over the next two or three years is that the relentless round of staff reductions and branch closures that began in the early 1990s will continue until well after the decade is finished. So far this decade the big four have laid off more than 20,000 employees and closed nearly 1,000 branches. That's exactly the same effect as if one of the big four had shut up shop altogether ....*"(4)

The same month came this additional information:

" ... Australia's five biggest banks squeezed $10.324 billion from customers in fees, charges and commissions over the past 12 months, lifting non-interest income by more than 17 percent in a bid to defend profit-levels.

National Australia Bank, Commonwealth Bank, Westpac, ANZ and St George together pulled an extra $1.8 billion from fees attached to retail transactions, mortgage servicing, funds management and insurance. And there appears little hope of reprieve for battle-weary consumers this year, with Westpac preparing to follow ANZ and St George by lifting retail transactions even higher ...."(5)

Conscious that ordinary Australians generally concur in the belief that "banks are bastards", Australia's privatised 'money-and-debt-creators' fall over themselves to climb onto the 'good works' platform. Their logos are plastered on rescue helicopters, sporting functions and those charitable institutions likely to catch the public eye. Their 'largesse' is certainly not anonymous, but a form of hard advertising. Between them the Trading banks spend over $400,000 every 24 hours on advertising - often cuddly, soft imaging to accentuate the 'friendly' portrait they would like to achieve.

Perhaps the most sickening was the TV bank advertisement which trumpeted that over 70 per cent of staff engaged in voluntary activity in their spare time! Cashing in on the private and probably reticent non-work services of ordinary tellers and accountants was, to put it mildly, boorishly indelicate!

Is this the first qualification on the adage that "advertising pays"? The banks' popularity continues to slip. For example:

"A national outcry over rising bank fees heightened yesterday, with new figures showing some fees had more than doubled in the past year.

Almost all fees charged by major banks have increased, prompting aged groups to predict that hefty charges on over-the-counter transactions would add $100 a year to the cost of banking for elderly households. A raft of new charges, including account keeping fees, were introduced in the past year as the new five major banks built their annual revenue from non-interest income to the $10 billion mark ...."(6)

It's not only in profits that the banks are out-doing themselves. Their asset-growth is staggering! *The Australian Pocket Year Books (1997 and 1998)* gives the following figures for the assets of *all* Australian banks - not just the gang-of-four:

1994	-	$360.5 billion	
1995	-	$381.7 billion	(increase in 12 months - $21.2 billion)
1996	-	$422.9 billion	(increase in 12 months - $41.2 billion)
1997	-	$503.3 billion	(increase in 12 months - $80.4 billion) (7)

Latest figures to hand show the 'gang-of-four' (*excluding* all the other banks) have between them combined assets of $633 billion - over $35,000 for every living Australian, or $140,000 for each average family of four. Not bad going for a bunch of 'friendly' bankers!

The production of a detailed and documented picture of this nature is often dismissed as 'bank-bashing'.

In reality it is a valid response to as big an example of 'people-bashing' as many of the great evils in history.

Trading banks have, of course, a valid place in a free society. Those starting new enterprises or building homes, need to borrow to get started. But borrowing has inherent dangers. Given too much power, lenders can dictate terms that are unfair and tyrannical to others. The tyranny is called usury. The best safeguard is as competitive a system in the lending arena as possible. A government monopoly would be just as dangerous as the existing private monopoly.

But lending is a function quite distinct from the creation of additional money, where this is required. That should be a government function, tied to a properly-audited model.

Government should not have the right to claim ownership of such money-increases as are necessary. They belong to the members of the community as a whole, and should be *credited*, rather than *loaned* into existence.

The refusal to ever balance the global debt-system with credits which reflect physical gains now threatens the nations of the world with bankruptcy and chaos - or a money-dominant dictatorship of universal proportions.

The breakthrough - if such is to be - will not occur at the top, but in a community or nation which is determined to break free and regain their freedoms.

(1) *The Age*, (Victoria) June 29, 1998.
(2) *Business Review Weekly*, "Money's On Its Metal in the post-Industrial Age", April 29, 1996.
(3) *The Australian Financial Review*, June 7, 1996.
(4) *The Australian Financial Review* (Weekend edition), November 1, 1998.
(5) *The Australian Financial Review*, November 13, 1998.
(6) Front-page leading article, *The Courier-Mail* (Qld.) November 25, 1998.
(7) Australian Pocket Year Books, Australian Bureau of Statistics, Canberra.

CHAPTER FOUR
BANKERS, BIG-BUSINESS AND THE REPUBLIC.

"Labor believes that increasing foreign domination of the Australian economy by foreign-based transnational corporations endangers our national sovereignty and places our resources, technology and the leading role in determining the future pattern of development, at the control of corporations whose interests are not necessarily in accord with the best interests of our nation. Furthermore, their international scale and enormous economic power impinge upon the effectiveness of the traditional tools of government economic management, and indeed reduce the authority of the elected government over the national economy."

AUSTRALIAN LABOR PARTY,
1982 PLATFORM CONSTITUTION AND RULES.
Published by R.F.McMullan, National Secretary, Australian Labor Party,
22 Brisbane Avenue, Barton, A.C.T. 2600

Perhaps it is a sign of the times that the policy-statement above should have appeared shortly before the election of the Hawke-Keating Labor government in March 1983. It was this government which eliminated virtually all barriers to the huge multinational takeover which, in the intervening sixteen years, has turned Australia into a country with the second-highest level of foreign ownership in the world.

In the mid-70s, according to Australian Year Book No 63 (1979) Australia still owned more than 50 per cent of its own industries, with the exception of Mining, which was 59 per cent foreign-owned, Advertising agencies (51 per cent foreign-owned) and Research and Development (52 per cent foreign owned).

The level of foreign ownership at that time was far too high.

With the advent of the Hawke-Keating government (March 1983) the foreign takeover became a rout, as the following figures show:

LEVELS OF FOREIGN INVESTMENT.

Year	($A million) Level of Investment
1986-87	139,437
1987-88	177,308
1988-89	195,648
1989-90	258,534
1990-91	280,824
1991-92	300,659
1992-93	n.a
1993-94	n.a
1994-95	402,596
1995-96	438,091
1996-97	481,957

- An increase of $344.5 billion in foreign ownership in 10 years ($19,000 per head of population)! The *per capita* average of foreign ownership at the end of 1996-97 was $27,000, or $108,000 for the average family of four.[1]

The Howard-Costello government gained office at this time. There was to be no change in direction.

Obviously, Messrs Hawke and Keating had somehow missed the wording in their own Party Platform.

The most recent issue of the excellent Ausbuy Guide, produced by the Australian Companies Institute Ltd, (Revision No 17, 1999) makes some pertinent points:

***"... The Labor Government funded growth and employment by selling off the country. The Coalition Government is doing the same .... Neither the Government or the Labor Opposition has any idea what Australia will do when we have sold off all our major companies and resources - which, at the present rate, will be about the Year 2005 .... About 85% of the contents of the average Australian supermarket trolley is now foreign owned or made. ... From 1991 Australia has spent a total of $162.4 billion more than it has earned. A staggering 86% of this total ($139.5 billion) was the net amount of interest and dividends paid to foreigners ...In 1982 Australia owed foreigners a net total of $39 billion. By September 1998 this debt had increased 760% to $335.7 billion. The personal share of this debt for each Australian man, woman and child is $18,000! ...."*[2]**

There is no sign of the multinational takeover slowing, as was made clear at the end of 1998:

"Despite the world economic crisis, the pace of multinational companies' expansion overseas is expected to hit record levels, a new international report has found.

The United Nations Conference on Trade and Development has forecast that even though the economic crises in Asia and Russia have thrown a quarter of the world's economies into recession or worse, multinational companies have not slowed down the pace of their overseas growth. UNCTAD expects a 10 percent gain in foreign direct investment to between $430 billion and $440 billion this year ...."[3]

As we moved into 1999, it was also clear that Australia remained a major target:

"Australia became more firmly bound than ever to the global economy last year as foreign companies pushed mergers and acquisitions in the country to a record $51.2 billion, a 16.7 per cent increase on the $43.8 billion recorded in 1997.

Overseas borrowers accounted for more than 46 percent of transactions by value, in a year in which cross-border activity worldwide reached unprecedented levels and in which Australia, despite its relatively small size, was the fourth most active M & A market. The level of activity could be even greater in 1999, according to Mr Chris Mackay, head of mergers and acquisitions at Warburg, Dillon Read ...."[4]

The brokerage and finance for this breathtaking global takeover is provided by a small number of merchant banks. Under the heading WHO'S WHO IN THE RACE FOR GLOBAL SUPREMACY was the following:

"Goldman Sachs and Morgan Stanley Dean Witter are routinely bracketed with Merrill Lynch as leaders in the race to establish truly global investment banking operations - a race that, according to industry wisdom, only five or six houses will compete.

The other major Wall Street challengers are JP Morgan and the merged Citigroup/Salomon Smith Barney. From Europe, contenders include ABN AMRO, Credit Suisse, First Boston, Deutsche Bank and Warburg Dillon Read.

While Merrill Lynch and the European Houses have been involved during the last year in global merger and acquisition programmes that have had a major impact in Australia, Goldman Sachs and the two Morgans have kept a relatively low profile here.

But they have been reshaping their local operations in line with their global strategies. In the case of Goldman and Morgan Stanley Dean Witter, the process has involved a recommitment to the market and upgrading of resources.

Both have new country heads with strong local profiles. Lawyer Mr Malcolm Turnbull, who joined Goldman Sachs last year, was said last week to have been made a partner in the firm ...." [5]

It had apparently taken Malcolm Turnbull only a short term to take Goldman Sachs to the top of the 'takeover' tree. By August 1998 the following had developed:

Corporate Australia is heading towards a record year for company takeovers, with $23.5 billion worth of mergers and acquisitions handled in the first six months.

Figures compiled by corporate adviser Securities Data also reveal the giant American investment banks - which have acquired local operators in the past two years - are securing a larger share of advisory work within Australia.

Goldman Sachs, which last year bought boutique advisory firm Turnbull & Partners, topped the list with a role in $7.05 billion worth of deals in the first six months of the year .... Goldman was followed by Salomon Smith Barney ($5.9 billion worth of deals), Morgan Stanley ($5.49 billion) and fellow Wall Street Institution J.P. Morgan ($2.78 billion)....."[6]

So the Wall Street boys - whom *The Bulletin's* editor Max Walsh alleges have been 'rigging' the Stock Market in the US with the compliance of the White House and the Federal Reserve - and who also have a cosy relationship with the International Monetary Fund and the World Bank - (see Chapter One), are busily carving up the globe between them, robbing each country of its sovereignty and independence.

If you are wracking your brains about the other connections of the Goldman Sach's Australian boss Malcolm Turnbull, he is also chairman of the Australian Republican Movement!

Which raises the obvious question: ***Why would the Australian director of one of the biggest international Merger and Acquisitions merchant banks in the world, profiting from the removal of Australia's sovereignty, also head a republican movement which sells itself as the champion of increased independence for Australia ?***

This a convoluted but vital question. There is no such thing as national sovereignty without national control of finance. The battle in the world is over whether this control should be removed from nations and 'globalised'.

The famous English author and parliamentarian William Cobbett explained his own encounter with this issue at the beginning of the 19th century:

"I set to work to read the Act of Parliament by which the Bank of England was created. The investors knew what they were about. Their design was to mortgage by degrees the whole of the country ... lands ...houses ...property ... labour. The scheme has produced what the world never saw before ... starvation in the midst of abundance ..." (7)

Currently, Australia's Head of State - the Governor-General - holds office within a monarchical ideal which is sovereign and nationalistic in character. Through his office Australia's cash (notes and coin) is produced. Look at the Queen's head on our coins and the $5 note, and ask yourself whether this in any way diminishes Australia's constitutional sovereignty over its own money system? To the contrary, these symbols are a reflection of our constitutional independence - which is why there is such a concerted attempt to get rid of them.

Rather, it is those who would *remove* the sovereignty symbol and 'globalise' Australia who are really attacking Australia.

Again, why?

The clue was given in a feature article in November 1997 - not long after Malcolm Turnbull joined Goldman Sachs & Co. The heading was CORPORATIONS HAVE REAL ROLE IN REPUBLIC. The following extracts are significant:

" .... In a modern globalised economy the role of an Australian head of State is primarily to represent this country, both to ourselves and on the world stage, to be an advocate for us, and to promote trade in Australian resources, manufacturers

and services .... This head of State ought to be the advocate for the brand 'Australia' the person who promotes and protects our brand image in the global supermarket .... The current proposal is that the President will be chosen by a two-thirds majority of our Members of Parliament, and there are good reasons for this. However, there is a strong view emerging from the Australian people that they believe the President should be popularly elected. .... That represents a real risk for business because however worthy the contributions of the many notable Australians being mentioned as likely to appeal to Australian voters, there is a conspicuous lack of anyone with broad, business experience. And that is a worry. Australian business has a real role to play in supporting the election of a head of state by two-thirds of our MPs ... ***The President should have significant experience in corporate life - optimistically, as head of a major Australian enterprise ....*** *"* (emphasis added)(8)

The battle for control of national and international finance is not new. Leaders from Benjamin Franklin, Thomas Jefferson and Abraham Lincoln in America to Prime Minister Gladstone of England and John Curtin in Australia have all drawn attention to it.

In the current constitutional debate about a republic in Australia, the matter of financial sovereignty outlined in Section 51 has received no mention. Yet it is crucial. As the founder of his dynasty, Meyer Amschel Rothschild is credited with saying: "Permit me to pass the money of a nation and I care not who makes its laws."

Less than a century after Meyer Amschel's five sons had dispersed to the major capitals of Europe from Frankfurt, Britain's Prime Minister W.E. Gladstone stated:

"From the time I took office as Chancellor (December 1852) I began to learn that the State held, in the face of the Bank and the City, an essentially false position as to finance. The hinge of the whole situation was this: The Government itself was not to be a substantive power in matters of finance, but was to leave the Money Power supreme and unquestioned. In the conditions of that situation I was reluctant to acquiesce, and I began to fight against it by financial self-assertion from the first. I was tenaciously opposed by the Governor and Deputy-Governor of the Bank (of England) who had seats in Parliament. I had the City for an antagonist on almost every occasion ...." (9)

It was for the same reason that King O'Malley and the Fisher Labor government fought so hard to establish a 'peoples' bank, in the form of the original Commonwealth Bank in Australia in 1911.

Like the US Federal Reserve is today, the Bank of England was privately-owned, and dominated by Rothschild interests. Nathan Meyer, head of the London branch of N.M. Rothschild, was a governor of the Bank. Yet a later Prime Minister, Benjamin D'Israeli, in 1844 quoted Nathan's grandson Lionel Rothschild as saying: "Can anything be more absurd than that a Nation should apply to an individual to maintain the credit, and with its credit, its existence and its comfort as a people?"

It was not until a century later that the Bank of England was nationalised, although its Directors are still largely appointed from the private sector and have always made sure their interests were not jeopardised.

The whole issue of the European Monetary Unit - the 'Euro' - is in the same category. Nations which merge into the political and financial European Union will have effectively lost their powers of independent action. Should Britain be foolish enough to jettison her traditional Pound and accept the 'Euro', she will be subject to Article 107 of the Maastricht Treaty, which says:

"Neither the European Central Bank, nor any national central bank, nor any member of their decision-making bodies shall seek or take instructions from any government or any other body."

In practice, Europe is now run by multinationals, as the following report, which appeared under the heading: HOW UNSEEN BUSINESS CHIEFS CONTROL EUROPE, shows:

"For more than a decade, Europe has been effectively run not by national politicians or the Brussels bureaucracy, but by a little-known group of transnational corporations called the European Round Table of Industrialists (ERT) .... The evidence shows the ERT was the driving force behind the EEC's internal market in the 1980s, the 1991 Maastricht Treaty and the social welfare-cutting single currency. Founded in 1983, the ERT is made up of 45 business leaders from large European transnational corporations whose combined annual turnover approaches $880 billion. They include BP, Shell, Daimler-Benz, Fiat and Siemens ...." (10)

The world for which these global behemoths are striving does not include sovereign nation-states or national parliaments capable of making independent decisions. It has been well described by President Clinton's economic guru Robert Reich:

"There will be no national products or technologies, no national corporations, no national industries .... There will no longer be national economies, at least as we have come to accept the concept. All that will remain rooted within national borders are the people who comprise the nation ...." (11)

- Which raises the obvious question, why would corporate chiefs and owners of these burgeoning multinationals concern themselves with the debate about a republic in Australia?

The answer is that those running the global programme *are not nearly so sure of their own invincibility as they would have us believe!* For all the constant talk of 'inevitability' the globalist agenda is in disarray. With every passing crisis, more and more are waking up and questioning what they previously believed beyond question.

Any vestiges of sovereignty and independence are a threat. Globalism *must,* at any cost, render peoples and nations impotent, before the doubt becomes conviction and takes wing. The crowned head on the Australian dollar - or the British Pound for that matter - is a constant reminder of a latent potential to which people might turn in the extremity of crisis.

Significantly, Australia now has its own version of the European Round Table (ERT) - the multinational conglomerate which has wrested power away from politicians in Brussels:

"When the idea for the Australia Unlimited Round Table was first discussed between The Australian *and the Global Foundation six months ago, the idea was simple: Prominent Australian and international thinkers would join a two-day discussion on "ideas for Australia's future" that would help to nudge the nation towards its centenary of federation. When it opens in Melbourne today Australia Unlimited will feature some of the world's sharpest ideas people, headed by International Monetary Fund director Michel Camdessus ...."* (12)

A companion article commented:

".... As he presides over the opening today of the Australia Unlimited Round Table, a conference on ideas for the country's future hosted by The Australian,

Sir Zelman (Cowen) will reflect that he is only a couple of decades younger than the Commonwealth of Australia .... Reflecting yesterday on the approaching centenary, the former governor-general said he believed 'globalisation' or the way we have become "so proximate to each other" made the turning of the century an "intensely dramatic time" ...." (13)

One could be forgiven for thinking that a Round Table Conference hosted by *The Australian* and presided over by a former monarchist-turned-republican governor-general would inevitably favour the 'inevitable' global agenda. You'd be right.

Perhaps the most outlandish paper given under the auspices of the Australia Unlimited Round Table came from former federal departmental head Michael Costello. It was entitled WHAT PRICE NATIONHOOD. In his view the global government idea was already a *fait accompli:*

"Globalisation is here to stay. Political movements round the world have no choice but to grapple with the new problems it poses for them .... It is true that large global corporations now have at their disposal the command, control, communications and intelligence capability previously the preserve of the military, enabling them to direct and control from the centre in real time .... It is true that if we thought overseas competition in manufacturing was tough, we haven't seen anything yet .... It is true that the very existence of the modern nation-state will be challenged by globalisation as never before. After all, a global corporation's patriotism is for company, not country .... What price national sovereignty? ....It is true that globalisation reinforces the tendency of the free markets unfettered to make the rich richer and the poor poorer. We are only in the foothills of globalisation and already this is happening ...." (14)

One wonders what this gentleman must feel when he hears the words:

Australians all, let us rejoice,
For we are young and free ....?

It was significant, too, that Rupert Murdoch's *Australian* should have hosted such a project. Murdoch has never hidden his aversion to the Monarchy. His British papers extracted every salacious detail possible from the family problems of the Royal Family. Murdoch has long fostered the republican cause. As long ago as 1976 he was reported as follows:

" Australian newspaper proprietor Mr Rupert Murdoch is reported to have said in New York that he had changed his mind about supporting Australia's Labor Government because it had chickened out on necessary changes - like making Australia a republic ...." (15)

- A message which subsequent Labor leader Paul Keating obviously took to heart! Since then, Murdoch's control of the Australian media has expanded to the point where he controls 65 per cent of the country's metropolitan newspapers. He can fashion and pursue the issues he wants, and bend politicians to his will. The position was well described by journalist David Bowman:

"A republic or a monarchy? Are we to live with the status quo, or fiddle with it, or undergo a constitutional convulsion? If Australia has to decide on a future form of government, should we be advised, warned, enthused and generally guided by Australian newspapers controlled from the United States?

Rupert Murdoch, of course, controls far more of the Australian press than (Canadian) Conrad Black - seven of the twelve capital city dailies for a start, against Black's three. The tired argument about whether Rupert Murdoch is really an Australian need not detain us long. Mr Murdoch is a citizen of the United States who has sworn a resounding oath of allegiance to that country. He is an international businessman who insofar as he belongs to any country is in law, in practice and in spirit, an American ...." (16)

There are hopeful signs, however, that Australians are not nearly so swayed by the media as once they were.

(1) Figures on foreign investment from Australian Pocket Year Books, 1994. 1997 & 1998 (ABS Canberra)
(2) Ausbuy Guide, Friends of Ausbuy, P.O.Boc 440, Rydalmere, NSW, 1701
(3) *The Australian Financial Review,* November 12, 1998.
(4) *The Australian Financial Review* (leading front-page article) January 19, 1999
(5) *The Australian Financial Review,* October 26, 1998
(6) *The Australian,* August 24, 1998
(7) William Cobbett, *"The Political Register"* XVIII, July 14th, 1810
(8) *The Australian Financial Review,* November 24, 1997

(9) Morley's *"Life of Gladstone"*.
(10) *The Sydney Morning Herald*, August 23, 1997.
(11) *The Australian*, June 25, 1992
(12) *The Australian*, May 5, 1998.
(13) Ibid.
(14) *The Australian*, April 30, 1998
(15) *The Morning Bulletin* (Rockhampton, Qld) November 26, 1976.
(16) 24 Hours (the monthly SBS magazine) July 1993.

PART TWO

CHAPTER FIVE
WHERE DO WE START ?

" .... Howard admitted to the difficulty of being in government in a globalised economy where there is a loss of sovereignty and weariness with change, and (where) simplistic answers win the hearts of the hardpressed .... There is always a discontent with the prevailing political establishment .... "We are going through globalisation; there is a lot of economic change. There are a lot of people knocked round by it and who feel threatened by it and I understand that" .... "

Prime Minister John Howard, reaction to Queensland election result - interview with Dennis Shanahan, *The Weekend Australian, June 13,14 - 1998*

It does not need much acumen to see that dark clouds hang over Australia, and also the other nations of the world. An ever-increasing number of thinkers can see that, behind the frenetic activity of trade, commerce and employment, with its never-ending trail of casualties, the whole crazy cycle cannot hang together much longer. It can be propped up, stimulated, regulated, rationalised - but the system is running out of answers. The result of each new 'initiative' is more unpredictable, more frayed, beset by failure even before it's tried.

Neither is the crisis simply economic - but social and spiritual. Human beings live from day-to-day, increasingly dreading the morrow. Stress is the greatest overall disease of our time. Endless research examines the symptoms of the malaise, without ever touching the cause; we have lost our way. Collectively, we have no purpose other than materialism, and no gods other than the Dollar, the Yen or the 'Euro'.

On the altars of these gods we have often sacrificed our neighbours, our children, our community-bonds and the very sense of discovery and purpose in our lives. Already, many have turned away from the commercialised and frenzied pursuit of the 'gadget' economy, seeking natural and organic environments and relationships as a preferred alternative, or even as a hoped-for survival sanctuary. Home schooling is a growing factor as parents pull their children out of State education systems which, in some areas, are further destroying the morale and the hopes of our children.

Australia's last financial quarter for 1998 revealed the biggest Current Account Deficit in our history - over $8 billion, projecting to $32 billion for the year - and the real slowdown yet to strike us. Yet our internal economy indicated 'growth' - simply feeding on a consumer borrowing spree that must inevitably be paid for. Reality cannot be denied much longer. In Terry McCrann's words: "It's not "if", but "when?"

Gradually, people are beginning to perceive that the crisis will not be averted by governments. Most, like our own, are not assemblies of free representatives acting individually and on conscience. Parties have imposed their own agenda over parliaments, and are themselves compliant to those who finance them.

Disclosure laws have forced political parties to reveal major donations, although new ways are already being found to evade disclosures. But enough has been revealed to indicate how dependent the major parties are on large corporate funding, as the figures show:

POLITICAL CORPORATE DONATIONS TO THE MAJOR PARTIES

	1996-97			1995-96	
COMPANY	LIB ($)	NAT ($)	ALP ($)	COALITION ($)	ALP ($)
Village Roadshow	202,850		23,500	563,000	96,500
Santos	153,500			246,720	50,000
Amcor Ltd.	130,000	10,000	40,000	280,000	55,000
HIH Insurance	126,000			251,500	
ANZ Banking Group	125,000	25,000	20,000	52,140	42,500
Coles Myer	110,000	28,000	49,000	240,050	66,500
Pratt Holdings	105,000	5,000		69,000	50,000
Western Mining	103,500	50,000			
Grollo Australia	100,000			10,550	
Edensor Nominees	100,000			175,000	42,500
Lend Lease	100,000		75,000	61,500	61,900

Source: The Australian Electoral Commission (1)

Full figures for the 1997-98 period are not to hand, although there is little doubt that corporate largesse continued, and probably increased for the 1998 federal election. The following , which appeared in November 1998, is an indication:

"Two of Australia's biggest banks, ANZ Banking Group Ltd and Westpac Banking Corp Ltd, revealed yesterday they had endowed the Liberal Party with more financial donations in 1997/98 than they had the ALP.

In its annual report, ANZ favoured the Liberal Party ahead of Labor and the National Party, donating $95,000, $20,000 and $10,000 respectively last fiscal year

In the year ended September 30, Westpac donated $181,650 to the Liberal Party, $168,500 to the ALP, $66,000 to the National Party and $10,000 to the Democrats

A Commonwealth Bank of Australia Ltd. spokesman said the bank did not make political donations." (2)

Apart from millions in corporate donations, the parties are not loath to help themselves to tax funds to recoup election expenses. The handout following the 1998 federal election included: The Australian Labor Party - $13,959,511.97; The Liberal Party - $11,488,881.15; One Nation - $3,044,525.97; The National Party - $2,321,589.02; and the Australian Democrats - $2,247,677.46. (3)

The 'muscling-in' of the One Nation upstarts must have caused considerable chagrin, diverting over $3 million from the other parties.

The Liberal Party is now benefiting from a $4.5 million interest-free loan from the Greenfield Foundation, which has been alleged to be a mechanism to evade the need for disclosure. The Australian Electoral Commission is investigating the allegation. In addition, the Coalition used a further $14 million from tax-revenue to fund its advertising for the GST.

The whole electoral process has been turned into a giant financial operation, with a turnover in the tens-of -millions, obviously designed to entrench the existing political monopolies, and completely masking the widespread distrust and disenchantment with the major parties.

Despite the compulsory voting in Australia the evidence is clear:

" .... Just over 12.5 million Australians were enrolled to vote in the October 3 election, but only 95.33 per cent turned out. This was the lowest figure since the 1987 election, when 94.33 per cent of eligible citizens turned out ....

Last year's election also saw a jump in the level of "informal" voting .... In the House of Representatives, 3.8 per cent of voters wasted their ballots last year compared to 3.2 per cent in 1996." (4)

In other words, despite compulsory voting, 1.25 million Australians - or 10 percent of those eligible - either failed to turn up for voting, or voted informally. A further 9 per cent, despite a massive media barrage of unfavourable publicity, voted for One Nation. This does not include the considerable number of electors who voted for the other nine contending parties - including the Australian Democrats -and the host of independents.

The anger and dissatisfaction among voters was picked up by journalist Kerry-Anne Walsh in July 1998:

"Revolt is in the air. Angry voters are spelling the end of major party political rule in an astonishing surge of support for independents and minor parties, according to an exclusive Bulletin Poll. Half the electorate wants to see more independents and minor parties in parliament, with more than one-third of respondents saying they want independents and minor parties to hold the balance of power in both Houses of Parliament. This dramatic shift away from the mainstream parties can be seen in the extreme level of dissatisfaction with their performances. In effect, two-thirds of the electorate don't like what they're getting from the dominant political forces ...." (5)

Responding to this backlash, the major parties must rely on creating as much division as possible among the disaffected, to prevent at all costs a genuinely united opposition from voters. The party game plays right into their hands. The best way to neutralise angry groups of voters is to persuade them to seek political power for themselves. It is an almost natural law that ***Parties divide: Issues unite ....***

The number of new parties which have failed to heed this lesson - or thought they would avoid the mistakes of others - over the last 25 years is legion. This is not to denigrate the intentions of those which have tried. But it is to enter the battle on the enemy's terms, with the odds - and the media - stacked against them.

In the March 1999 New South Wales election there are *over 90* parties standing. What a waste of potential effort! Getting into power for oneself, however, is so deeply ingrained that few can conceive of any other option.

These developments are not peculiar to Australia; they are now worldwide. The result was brilliantly described by Dr David Korten, the former Stanford and Harvard Business School academic who also worked for the Ford Foundation before becoming totally disillusioned with what he saw. He subsequently wrote the international best seller, *When Corporations Rule The World"*. On October 17, 1998 he gave the E.F. Schumacher address in Bristol, UK, which was printed by *The Guardian* four days later:

"For those of us who grew up believing capitalism is the foundation of democracy, market freedom, and the good life it has been a rude awakening to realise that under capitalism, democracy is now for sale to the highest bidder. The market is centrally planned by global mega-corporations larger than most countries. Denying one's brothers and sisters a source of livelihood is now regarded as economic virtue, and the destruction of nature and life to make money for the already rich is treated as progress.

"The world is now ruled by a global financial casino staffed by faceless bankers and hedge fund speculators who operate with a herd mentality in the shadowy world of global finance. Each day they move more than two trillion dollars around the world in search of quick profits and safe havens sending exchange rates and stock markets into wild gyrations wholly unrelated to any underlying economic reality.

With abandon they make and break national economies, buy and sell corporations, and hold the most powerful politicians hostage to their interests. When their bets pay off they claim the winnings as their own. When they lose, they run to government and public institutions to protect them against loss with pronouncements about how the poor must tighten their belts and become more fiscally prudent. .... Congress and the President are working out of view to push through funding increases for the IMF to bail out the banks who put the entire global financial system at risk with reckless lending.

They are advancing financial deregulation to encourage even more reckless financial speculation. And they are negotiating international agreements such as the Multilateral Agreement on Investment intended to make the world safe for *financial speculators by preventing governments from intervening to regulate their activities. .....*"

The bubble is about to burst. So some alternative ideas are urgently needed.

Survival and regeneration starts with the family and local community. This was the feature of Australia in earlier times. The digger spirit was born out of the adversity of wars and depressions when neighbour helped neighbour and mateship was a way of life.

The materialism of the post-war years has produced a selfishness that must be reversed. The individual who believes in personal survival as the major priority is, in reality, more vulnerable than he imagines.

On the other hand, the community which sticks together, analyses, conserves and builds its resources, looks after weaker or older members and collectively confronts looming dangers and problems is almost invincible.

Solzhenitsyn, the great Russian historian exiled by the Communists, tells how in the early days of Stalin's secret police, individuals were taken from their homes at the 'midnight knock' one-by-one. Neighbours deafened their ears and ignored the cries. If, right at the beginning, neighbours had hastened to assemble when one was threatened, the secret police would have backed off. They were bullies and cowards.

Nothing has changed. A local community which meets together regularly, shares its food, aids the sick, helps each member with resources, can come through anything.

Such relationships can still be found in country areas - although even in this environment they are more the exception than the rule. In big metropolitan areas they are rare. Even churches seldom extend their brief Sunday assemblies to sustaining relationships during the week. Yet they should be the ultimate examples in applying practically their own gospel - "love one another".

It is amazing what a number of people living in the same street of a big city can do - once they have met and shared their problems. Producing their own backyard vegetables, comparing notes, finding out who cooks on electricity and gas, what could be done if water was disrupted, even down to grinding flour and baking bread.

Someone has to take the initiative and start the ball rolling. It might be as simple as a "Queer Street - Let's Meet - Bar-B-Q"

In other words, if we want a self-help community, we have to invest some time and effort into making it happen.

Following the devastation of the Darwin cyclone, one of those involved in emergency services recalled that many did not know how to help themselves. With power, water and the roof over their heads gone, they were at a loss how to cope. Even such things as building a simple trench for a latrine was beyond them. Some quickly got the idea, and began to innovate as a way of self help. A spirit of *camaraderie* developed.

Others remained permanent casualties. So deeply ingrained was the spirit of welfare-dependency that they were unable to help themselves - or others.

The point of all this is to suggest that the obvious crises ahead could very well produce depression-like conditions. If essential services fail, even for a short duration, things could be difficult. Such a situation brings out either the best or the worst in people. Looting and crime can be a factor. During the Brisbane floods there were some fine examples of emergency rescue and care work. There was also considerable looting in some areas. In one suburb local residents set up their own roster service to monitor and check those moving in and out of the area. Looting was cut to a minimum.

The time to invest in building local self-help associations is before the crisis hits. As Confucius said: *"When struck by a thunderbolt, it is too late to consult the book of dates!"*

In one area I know, a group of local residents hold a monthly breakfast in the home of one of the participants. Those attending bring their own eggs, bacon and sausages. One member gives an informal 15-minute talk on a pre-selected topic. They have covered a wide area - "Saving seeds", "Growing herbs", "Food preservation", "The medicine-chest and home remedies", "Baking bread", "Communications", "Barter and local-money", "The implications of Y2K", and much more.

They have kept notes on each topic, and have a valuable information resource. Most importantly, they have built firm friendships.

Such associations can be particularly helpful for young people, who are finding it difficult to find much hope for the future.

It may very well be that the difficulties ahead become the birthpains of a great regeneration in Australia.

Making a few preparations is part of the process. In doing so, it is better to start with no preconceptions. Political and denominational politics should be kept outside. If you have an axe to grind or a sermon to preach, better leave it at home.

Once a local association is working, make contact with others further afield. There may be profitable areas for co-operation here too.

Age barriers should be avoided. While young people have enough enthusiasm to enter where angels fear to tread, older people have wisdom and experience. Some, who remember the Depression, have been through this before.

Every family can make simple provisions. Stocking food, emergency lighting and cooking facilities is sensible. But no family is an island. Where there are gaps, they can usually be filled in by getting together with others, covering individual weaknesses.

In the chapters ahead we'll cover some areas where initiatives at community level can be taken The concepts offered are general, offered only to stimulate better ideas which will inevitably come.

Above all, don't let fear or apprehension prevail. Dark though things may be, Australia CAN come through this with some faith and a sense of humour. Out of it we will re-discover the latent Australia we all believe in.

As the great Helen Keller said:

"Security is mostly a superstition. It does not exist in nature, nor do the children of men as a whole experience it.

Avoiding danger is no safer in the long run than outright exposure. Life is either a daring adventure or nothing. To keep our faces toward change and behave like free spirits in the presence of fate is strength undefeatable.

(1) Australian Electoral Commission, quoted in *The Australian Financial Review*, February 3, 1998
(2) *The Chronicle* (Toowoomba, Qld.) November 21, 1998
(3) *The Australian*. February 1, 1999.
(4) Ibid.
(5) Kerry-Anne Walsh, *The Bulletin*, July 28, 1998.

CHAPTER SIX
LOCAL COMMUNITY FINANCE

" ....The Local Government Association's NSW President, Mr Peter Woods, said councils were no longer going to stand by and let banks do as they pleased without any regard to the people.

"We're just not going to have the traditional banking system deciding to close down branches, deciding to increase fees without regard for the people," he said. "They will be held accountable. And if the Federal Government is not prepared to take action to regulate the industry on behalf of the people, then the people will take charge through their local governments" ...."

<u>*The Australian Financial Review*, November 30, 1998.</u>

Until recently, most have taken the prospect of a cashless society with a grain of salt. But the explosion of plastic-card transactions and the closure of bank branches has caused a re-think.

At the beginning of 1998 the electronic revolution was already far advanced. It was well described thus:

"What in the world are the banks up to? More than any other sector of the economy, they've cashed in on the colossal pay-offs of the digital revolution: from automatic teller machines (ATMs) to telephone banking to Internet commerce to the new kids on the block, smart cards (the microchip successors to today's magnetic stripe cards).

This blizzard of new technology has enabled the banks to slash overheads - again and again. The Commonwealth Bank's technology and operations chief, Russell Scrimshaw, concedes: "The cost of an ATM transaction is about one-third of doing the same transaction in a branch."

The stakes - and potential pay-offs - are escalating. Internet commerce - as predicted by industry forecaster IDC - will rise from about $US2.6 billion ($4.2 billion) to $US220 billion by 2001 - an increase of more than 200 percent a year.

The banks have learnt to operate with neither fear nor favour; shedding thousands of staff and shutting hundreds of branches. Reserve Bank of Australia research reveals that last year 386 branches closed - more than double the number of closures in 1996. Australia now has 355 bank branches for every one million people, down from 394 branches just four years ago. Branch closures have, of course, been accompanied by job losses. A total of 40,000 full-time positions have been shed from the banking sector in the past decade, according to the Finance Sector Union.

OK, so you can't stop progress, but at least it leads to cheaper charges for customers, right? Wrong. Even banking representatives such as Scrimshaw admit there has been no corresponding fall in bank fees - nor do they expect the rise of e-commerce to lead to reductions in the future ...." (1)

By the end of 1998 the 'gang-of-four' had between them closed just on 1,000 branches. Smaller country towns were the first to suffer, but closures moved into metropolitan suburbs, causing consternation and anger.

What was happening was described in a David Tanner article under the heading BANKS KEEP UP ELECTRONIC PRESSURE. He wrote:

"Banks are encouraging their customers to make electronic transactions, with new accounts geared towards non-branch banking.

They are trying to channel more customers into ATM (Automatic Teller Machines), EFTPOS (Electronic Funds Transfer at the Point of Sale), and telephone banking, which have lower infrastructure costs than providing over-the-counter services.

At the same time fees for OTC (Over The Counter) transactions are going up.

In 1993/94, 55 per cent of the Commonwealth Bank's transactions were electronic and 45 per cent OTC; now the ratio is 75 to 25.

Westpac's electronic banking amounts to 80 per cent of its transactions, while the Australian Payments Council estimates OTC transactions will constitute just 15 per cent of all transactions by 2000 ....." (2)

The word used should really be "forcing" rather than "encouraging". Raising fees on OTC accounts and closing branches leaves many with no option other than to feel angry and helpless. For the older half of the community the right to use cash is an infinitely-preferred option.

The 'bottom line', however, was the only consideration for bank executives. Service and convenience for customers came a very distant second. The following gives some idea:

"Australia's big-bank executives have collected pay rises of more than 20 per cent over the past year. Just four CEOs collectively took home $8.6 million in salary, including bonuses but excluding shares and options.

The major banks' annual reports reveal that the CEOs' executive teams also shared in this largesse - with $19 million paid to 17 executives over the past year .... The detailed disclosure - the first by big banks - follows rules forced on all companies, which require a breakdown of the packages paid to their senior executives .... Annual reports reveal a direct link between what a CEO earns and the company's size based on turnover and profits ...." (3)

The obvious assumption was that Australians would have no option, as banks and teller-machines were progressively withdrawn, to abandoning all forms of payment but electronic cards in order to survive. Old customers might be upset. But the banks could live with that. Their monopoly was so entrenched that they could comfortably ride over public grumbling and the murmurs of party-politicians whose electors complained.

They underestimated the reaction which came from a number of circumstances.

In the first half of 1998 a major survey was conducted by two Queensland researchers, Dr Diana Beal and Deborah Ralston, and published by the University of Southern Queensland. It was called ECONOMIC AND SOCIAL IMPACTS OF THE CLOSURE OF THE ONLY BANK BRANCH IN RURAL COMMUNITIES, and surveyed 10 towns in southern Queensland and northern New South Wales.

The evidence showed the withdrawal of bank facilities, following hard on a rural depression which had already seen a sad exodus from rural areas, had been devastating. Federal rural politicians, mainly from the National Party, had received an angry lashing from their electorates at a time when they were vulnerable - a federal election was to be held in October.

Secondly, a new party had received more than usual support in country areas, and had given all the major parties a severe mauling in the Queensland election held in June.

Thirdly, in March 1997 the Financial Systems Inquiry (the Wallis Inquiry) had presented its report. In view of the fact that five of its members had extensive banking interests, it could hardly be expected to suggest necessary and much-needed changes. Nevertheless, it included one minor change which had the potential to loosen the banking monopoly stranglehold. Recommendation 66 in the final report overview read:

RIGHTS TO ISSUE CHEQUES SHOULD BE EXTENDED

The foreshadowed amendments to the Cheques and Payment Order Act 1986 should be enacted to allow building societies, credit unions and their SSPs (Special Service Providers) to issue cheques in their own name. Issuers of cheques should meet objective performance benchmarks. Other financial institutions should be allowed to issue cheques in agency arrangements with DTIs (Deposit Taking Institutions) or their SSPs, subject to approval of the APRC (Australian Prudential Regulation Commission).

The Coalition government, thoroughly alarmed, made a few motions. The Parliament's Standing Committee on Financial Institutions, headed by David Hawker, toyed with a proposal to legislate that banks must provide services in rural areas.

On September 21, only eleven days before the federal election, came the carrot:

"The Howard Government announced yesterday a $70 million plan to establish up to 500 rural banking transaction centres. The campaign initiative answers rural dissatisfaction over the withdrawal of key services such as banking, postal, telecommunications and retail. It is also an attempt to counter a pitch by Labor for votes in regional Australia ....." (4)

Few believed this was anything more than a 'pie-crust' pre-election promise - especially as the same government had been threatening local councils with a cut in funding if they didn't 'toe the line' two years earlier. A May 1996 article, under the heading LOCAL COUNCIL FUNDS FACE CANBERRA AXE read:

"Australia's more than 700 local councils have been threatened with possible cuts in Federal Government funding if significant rationalisation through amalgamation does not occur.

Federal Local Government Minister, Warwick Smith, has warned that the Commonwealth may seek to link funding to the number of Councils in each State .... Mr Smith said he had no doubt greater efficiencies would result from "fewer but larger" councils ...." (5)

Apart from the fact that constitutionally the Federal Government has no jurisdiction over Local Government, it was depressing to hear a non-Labor Government reiterating the tired old Whitlam plan for amalgamation and 'regional' government.

What, after all, is the essential difference between Warwick Smith's "fewer but larger" councils, and the prevailing "fewer but larger" banks? Rationalisation may be questionably more efficient - and there's plenty of evidence to suppose otherwise - but the cost is loss of service.

Minister Warwick Smith lost his seat in October 1998.

Within four weeks of the election the battle to force some responsibility on the banks had been put in the "too hard basket" by the Federal Government. Under the heading BANKS TO WIN RURAL BRANCH FIGHT we read the following:

"The banking industry is set to win the fight against legislation that would force banks to keep branches open in rural areas.

Federal Parliament's standing committee on financial institutions - which has spent almost a year conducting an inquiry into banking services in regional and rural Australia - will not recommend legislation to force banks to fund banking services in rural areas.

"It runs the risk of ending up being counterproductive, the committee's chair, Coalition MP David Hawker, told The Australian Financial Review. *If you start relying on that and not allowing for changes in population and technology, you can end up forcing a system onto smaller and smaller centres which may not be appropriate ...."*(6)

It doesn't take much to read between the lines. The Committee expects the rural exodus to continue, technology to make possible the elimination of cash, and the fight with the 'gang-of-four' to be too hot to contemplate!

After all, the major parties run large overdrafts with, and receive handsome donations from, the banking fraternity.

The last straw for many Australians came when the Managing Director of the Commonwealth Bank, Mr David Murray, commented publicly that the major banks had served Australia so well that customers "should send a telegram of thanks to each of the major banks". Mr Murray, who picked up a salary for the year of $1.7 million, plus share options worth about $2.5 million, might have been happy, but his joy was not universally shared!

So it was up to local communities to help themselves. And they began.

Across rural Australia enterprising individuals started to look at alternatives. Credit unions and building societies had shown they were prepared to replace the deposit facilities formerly provided by banks - and make a fair profit in doing so. They obviously had to have sufficient business - home-loans, insurance, personal lending, etc. - to make the proposition feasible. They operated under a different Act of Parliament, the Financial Corporations Act as distinct from the Banking Act, which limits their action to the on-lending of funds.

Wherever a local community effort was initiated, to do something about the problem, there was immediate and enthusiastic community support. At the end of November 1998, major articles in *The Weekend Australian* explained what was happening:

"Farmers Stewart and Marian Petering are stakeholders in a grass-roots revolution against the big banks that is sweeping country towns and cities around the nation.

When the last bank branch closed its doors in their township of Minyip and neighbouring Rupanyup in the Wimmera district of Victoria this year, the Peterings joined hundreds of angry local residents who refused to live without a bank and established their own.

After five months in operation the bank has been such a success that six other communities in Victoria and New South Wales have moved to set up similar operations, while communities from Perenjori in the north of Western Australia to Virginia in northern Adelaide and in the suburbs of other big cities are looking to follow suit.

"We're used to things being taken away from us in the country, but this has shown us that we don't have to accept the decisions, that we can do something to help ourselves," Mr Petering said. ....

Residents raised $270,000 to set up their bank - the Rupanyup/Minyip Community Bank Branch of Bendigo Bank - which has two branches and services three-quarters of the district's 1000 or more residents.

The bank is effectively a partnership arrangement, under which a local board or trust buys the right to operate a branch and pays for the fitout and staff.

Even the country bank behind the scheme - the Bendigo Bank - has been surprised by the nationwide response .....

Bendigo Bank shares some costs and is responsible for credit decisions, but revenues are shared with the community, with net proceeds used for reinvestment in the local area ...."

It is not only in country Australia. Another article in the same edition gave a metropolitan example:

"The local branch of the Commonwealth shut its doors in Elwood yesterday, leaving the Melbourne bayside community's shopping village without a bank.

But not for long.

The people of Elwood already have plans for their own bank, the push spearheaded by local real estate agent, Alistair Chisholm, whose grandfather was involved in establishing the Bendigo Building Society, now the Bendigo Bank, which acts as a joint-venture partner in the community bank .....

"Other community bank branches operating in Victoria in joint ventures with Bendigo Bank are at Rupanyup, Minyip, Upway and Lang, while two more will open in Avoca and Toora early next year.

A fifth community bank has opened at Henty in New South Wales in another Bendigo Bank venture ....." (7)

There has also been a corresponding expansion of building societies and credit unions in areas deserted by the big banks. This picture shows what has happened in Queensland:

"Pioneer Permanent Building Society's record $41 million in lending for the half year to December 31, 1998 is proof that country towns can support their own bank.

Chief executive officer Kerry Latter said the Society's lending had increased 92 percent over the same period for 1997, clearly demonstrating the demand for personalised banking services in rural and regional Queensland ....."There has been a fair percentage transfer of clients from the banks, both private and larger businesses, including shires," Mr Latter said. "We are stronger in areas where banks have left." Pioneer Permanent Building Society is expanding .... Most recently, branches have been opened at Alpha, Emerald and Monto .... Suncorp-Metway and Elders Ltd are targeting rural areas more than ever with commitment to new and improved branches and more services. Suncorp-Metway opened a Suncorp branch .... at Goondiwindi on December 14, and will open another branch at Biloela on Monday .... February also marks the availability of a range of banking style services from the new company, Elders Rural Services Ltd (ERSL) a 50-50 joint venture between Futuris Corporation Ltd. and Bendigo Bank ....." (8)

By early 1999, Bendigo Bank was certainly showing that it could profit where the 'gang-of-four" apparently could not. The first half of the 1998/99 financial year saw an increase in interim profits of 26 percent - from $6.69 million to $8.49 million. Deposits grew by 17 percent, to $362 million - all this before they had really developed their rural branch expansion:

" .... Bendigo Bank managing director Rob Hunt said the first half results did not show the revenue effect of the new community bank facilities, which would start to flow in this half .... The community bank concept involves townspeople putting up $250,000 to start a branch, with the operation prudentially backed by Bendigo. Mr Hunt said the Bank had established six community banks and 20 were expected to be operating by June 30 "The first community bank - with outlets in the Victorian towns of Minyip and Rupanyup - were 'close to generating their own profit', Mr Hunt said ...." (9)

Minyip and Rupanyup have been operating for about 8 months at the time of writing! What a refreshing change! A genuinely Australian bank, prepared to split its profits with local communities in the process of moving in where the giants no longer care to tread.

But it is only part of the answer. The Bendigo Bank and its branches - like any other non-State trading bank - comes under the supervision of Australia's central bank, the Reserve Bank. The Reserve Bank is committed to 'regulating' the economy through the raising or lowering of interest rates. In the current climate of "lower" interest rates - still high by the levels of 50 years ago - we forget that eight years ago farmers and small businesses were paying between 25% and 30% interest. These quite murderous charges were the final straw in what was already a tragic rural collapse.

If the Reserve Bank decides to increase interest rates, there's little that Bendigo Bank or the credit unions and building societies can do about it.

Which is why communities which have had the initiative to set up their own bank branches should extend their examination to Trade Exchanges.

Robin Robertson, writing in *The Australian Financial Review,* described the system thus:

"Small business is the fuel which drives Australia's lively barter industry, where you can swap your produce for someone else's.

Instead of using cash, a bakery can exchange 300 loaves of bread for advertising space in a magazine, yet not have to search for a magazine that will accept bread as payment. Instead, it can be a member of a barter company that will facilitate this transaction.

In Australia there are up to 10 barter companies which maintain these alternative economies. Each company has its own network of members - mostly small businesses - and an exchange that acts as the clearing house for barter transactions.

It works like this: if a member of the network, the bakery, trades for $500 worth of magazine advertising space, its account will be debited for that amount, while the other network member, the magazine, will be credited with the same amount. This way, the magazine does not have to wait to be paid. It has a credit of 500 trade dollars, which can be spent with another member of the network.

One trade dollar is equal to one Australian dollar, but you'll never see one. It only exists as a credit or debit in the barter systems, and is listed in the accounts sent to the network members. These accounts itemise sales (credits) and purchases (debits) and transaction fees.

Despite the similarity of barter company schemes, these trade dollars can only be "spent" within the confines of a single network, so it follows that bigger is better, as it offers a greater choice of goods and services to trade ...." (10)

If this sounds like a country market concept, the reality is surprisingly different and more sophisticated. Two trade exchanges, Contracard and the Queensland Trade Exchange recently merged to become Trade Ltd, with 4,000 business members. Bartercard, the biggest Trade Exchange in Australia has 15,000 members, listed in a detailed national directory. It has 30 offices across Australia, another 18 in the UK, New Zealand, Sri Lanka, Hong Kong, Thailand and Canada. Worldwide, it has 28,000 members. It turned over more than $320 million in 1998. The NSW Tradebanc International turned over $100 million. IBEX, based on the Gold Coast, with a membership of 2,500 businesses, recorded $56.6 million in transactions, including $15 million in real estate.

Other barter companies include Tradebart, Tradelink Barter (based in Ballarat), Business Barter Exchange (based in Gosford) and the recently formed Town and Country Exchange in Queensland.

One of the best-known is the LETS system, first started in Canada in 1983, and now based in many areas of Australia and New Zealand, with over 1,000 LETS 'communities' worldwide. The biggest LETSystem in the world is Australian - in the Blue Mountains, with about $300,000 in annual trade. LETS membership is not confined to businesses. Anyone can trade, from someone with a home garden to the householder who offers a spare room for bed-and-breakfast.

The United States proliferates with trade exchange associations, large and small, city and country. One of the most successful is in the heart of New York, Ithaca Money, which denominates its own notes as "Ithaca Hours". In 1994 it had a membership of 1,200 individuals and businesses in Ithaca, part of New York, and may well have grown since then.

One article described the scheme in these terms:

"The Bills are denominated in 'Ithaca Hours'. On one side they say "IN ITHACA WE TRUST". The other side reads: "This note entitles the bearer to receive one (two, one-half, or whatever) hours labour or its negotiated value in goods or services".

The newsletter, which comes out six times a year, contains listings of 1,200 individuals and businesses in Ithaca, New York, that will accept "Ithaca Hours" (called "Hours" in Ithaca and henceforth here) Here are just some of the things you can buy with Hours: bookkeeping, bowling, bricklaying, building materials, *bushlogging, business consulting, cake decorating, calligraphy lessons, camera repair, candles, canoes, carpentry, childcare, - and that's just a few of the Bs and Cs.*

Many Ithaca restaurants accept Hours. So do movie theatres, locally-owned grocery stores, and farmers' markets. Four lawyers take payments in Hours, nine electricians, five roofers, three tax preparers and quite a few landlords. An electronics store has computers in the window priced at 50, 68 and 90 Hours ....." (11)

The actual issuing of a form of currency, ostensibly for tourism purposes, has also occurred in Australia. A 1996 Queensland article read:

"The former nickel mining township of Greenvale, north-west of Townsville, has issued its own currency.

It is not part of a north Queensland separatist plot, but a ploy to encourage the residents of the district to shop locally. Greenvale Tourist Development project manager Doug Corbett hopes the currency will also have a tourism spin-off.

"People can purchase the currency through the town's administration office for 20 percent less than its face value, then it is accepted back by local businesses for the full face value," Mr Corbett said. "This gives people a 20 percent discount when they shop locally".

The campaign is funded by the town's administration and local businesses ...."The project started last week and it has been very successful", Mr Corbett said ...." (12)

A subsequent visit to Greenvale showed that the scheme had been started when the Greenvale nickel mine closed, and a developer, Mr Chris Delios "bought" the town (85 houses, sporting and recreational facilities, including a cinema, pool and golf course) The "Greenvale dollar" was introduced to persuade people to stay in the town - which would otherwise have died - and to buy locally. It was planned to operate for one year, and according to reports, worked brilliantly.

In my own area of southern Queensland - the Crows' Nest Shire, near Toowoomba - an even more limited form of local money was used for one week, coinciding with "Crows' Nest Day". A unit of currency called a "Negotiable Twig" was issued, allowing people to obtain a discount in local stores.

Where a permanent Trade Exchange is operating, the Australian Tax office has ruled (Taxation Ruling IT2668) that for purposes of assessment, a 'trade dollar" has a par value with the Australian dollar. So long as this is declared, and applicable taxes paid, there is no quarrel with the concept.

What are the implications? Simply, that there is no barrier to a local community (or a Shire or Town Council, for that matter) building its own trade mechanism to support both producers and consumers to "buy local" and increase local sustainability.

A small semi-rural shire area (my own Crows' Nest area is typical , with a population of some 10,000) has a turnover of anywhere between $80 million and $100 million a year. Up until now, the bulk of this has been transacted through giant Trading Banks, with resulting interest and profits leaving the area, part of it going to bank shareholders overseas. The result has been debt-ridden Councils and communities. Farmers and small businesses have gone to the wall, and employees have lost their jobs. The rate of unemployment among young people has been tragic, with all the drug and suicide problems that result.

If a semi-rural council area with a turnover of, say $100 million, could realise a 1% return through local Deposit and Trade Exchange initiatives, it would have an extra $1 million to plough back into better conditions locally.

There is nothing to stop a community - or a council - from forming a partnership with a more Australian-oriented bank such as Bendigo, where at least part of the profits are returned to the local community.

There is nothing to stop a community - or a council - establishing at least a Deposit-taking Facility if the banks leave town - and making a profit in the process.

There is nothing to stop a community - or a council - establishing its own Trade Exchange, to rebuild local industries, keep local services operable, families together and fed, businesses in operation and young people employed, if we enter a period of depression and hardship.

There is nothing to stop a local street or suburb from running its own simple Trade Exchange - or joining one already established - so that families can help each other.

Finally, there is nothing to prevent a State Local Government Association in co-ordinating all its members in starting a State Local Government Bank, with the objective of providing funds for capital works at a fraction of today's cost, reducing individual council debts and lowering rates. If this was done in conjunction with a State Government that had the courage to do so, there is no doubt - as a number of High Court cases can testify - that this could be done under Section 51 (xiii) of the Constitution, thus precluding interference from the Reserve Bank and the Commonwealth Government. The statement by Alderman Peter Woods of the NSW Local Government Association, quoted at the beginning of this Chapter, is indicative.

The time to start thinking about it is NOW, rather than when the thunderbolt has struck. Self-help is possible for every community. And it can be rewarding and enjoyable.

(1) *The Weekend Australian*, May 23,24, 1998
(2) *The Weekend Australian*, December 12, 13, 1998
(3) *The Australian Financial Review* (weekend edition), November 21,22, 1998
(4) *The Australian Financial Review*, September 21, 1998
(5) *The Courier-Mail*, (Qld.) May 24, 1996
(6) *The Australian Financial Review*, October 29, 1998
(7) *The Weekend Australian*, November 21,22 1998
(8) *The Western Sun*, (Qld.) February 3, 1999
(9) *The Australian*, February 16, 1999
(10) *The Australian Financial Review*, January 19, 1999.
(11) *The Berkshire Beagle*, (New Hampshire, US), May 23, 1994
(12) *The Sunday Mail* (Qld), March 17, 1999

CHAPTER SEVEN
REBUILDING THE DEMOCRATIC PROCESS.

Democracy's a simple thing - I wonder why we choose it?
But when we can't be bothered is exactly when we lose it!
The 'expert' wants you to believe he's much more wise than you;
And if you leave it up to him he knows just what to do.
He'll fix your problems, one by one, he'll deal with any strife.
There's just a little price to pay - the power to run your life!
But when democracy arrived, way back in days of old,
The people paid the 'experts' - to do as they were told!

Australia's governmental system is supposed to be one of the best in the world. We have been voting at elections for about 150 years, and we have never had bloodshed, revolution or a coup

We were the first country in the world to give women the vote. Australians vote their representatives into a Parliament traditionally belonging to the people. There is no room for tyrants or dictators who imprison or murder their opposition.

We still have refugees arriving from countries where it is impossible to get three meals a day - much less a vote.

Many would say Australia has got it made.

The duty and responsibility of a Member of Parliament is much the same in Australia as in Britain, from whence we inherited our system. It was set out in a British legal case in 1910, by Lord Shaw of Dumfermline:

"... Parliament is summoned by the Sovereign to advise His Majesty freely. By the nature of the case it is implied that coercion, restraint, or money payment, which is the price of voting at the bidding of others, destroys or imperils that function of freedom of advice which is fundamental in the very Constitution of Parliament ..."(1)

An Australian High Court case ten years later was even clearer:

"When a man becomes a Member of Parliament, he undertakes high public duties. These duties are inseparable from the position: he cannot retain the honour and divest himself of the duties. One of the duties is that of watching on behalf of the general community the conduct of the Executive, of criticising and, if necessary, of calling it to account in the constitutional way, by censure from his place in Parliament, censure which, if sufficiently supported, means removal from office. That is the whole essence of responsible government, which is the keystone of our political system, and is the main constitutional safeguard the community possesses. The effective discharge of that duty is necessarily left to the member's conscience and the judgement of his electors, but the law will not sanction or support the creation of any position of a member of Parliament where his own personal interest may lead him to act prejudiciously to the public interest by weakening (to say the least) his sense of obligation of due watchfulness, criticism, and censure of the administration ..." (2)

But something has gone horribly wrong. Australians distrust politicians. The majority is convinced there are no real choices at elections. Many feel their vote is no longer effective for choosing what they really want.

Even the major parties cannot deny this is true. In 1990 this confirmation appeared:

" .... Research, outlined to Liberal and National Party MPs in Canberra yesterday, shows an emerging despair in the electorate .... The director of the Liberal Party, Mr Andrew Robb, told MPs yesterday the research showed widespread pessimism, disillusionment and - a relatively new development - resignation. There was anger, particularly against politicians ...." (3)

In rare moments, political leaders admit to this sad state of affairs. Under the heading POLITICIANS' VOWS MADE TO BE BROKEN, the following was reported:

"Australians were apathetic about politics because they knew election promises would not be kept once politicians were in office, the outgoing South Australian Opposition leader, Mr Olsen, said yesterday ....

"There's a recognition - even a resigned acceptance - that the promises made in policy platforms will be disregarded as soon as the question of which party should govern is settled," he said ....

"We have tended to regard the public's interest as things only to be taken out of the cupboard and dusted off when there is an election ...."[4]

Confession, apparently, is not always good for the soul. Nine years later, Mr Olsen, Premier of South Australia, who campaigned prior to election on the promise that he would not sell the State's electricity provider ETSA, has been campaigning to do so after the election.

A former Liberal Cabinet Minister, Mr Don Chipp, who later left to form the Australian Democrats, was quite specific about the sordid influence the major parties had over their members:

"The first speech newly-elected MPs hear is from their Party Whip, which goes something like this:

'Ladies and gentleman, welcome to Canberra. I have only one thing to say to you. You will, from now on, forget that rubbish you talked about during your election campaign about serving your electorate. Now that you are here you will think, act and, most importantly, vote as the party dictates'.

It is a practice which forces politicians into adopting double standards." [5]

It is also a practice which, could it be proved, should make party whips liable to prosecution for suborning elected members from their duty.

Further damning condemnation appeared in October 1993:

"Public confidence in Australian democracy is in disarray because State governments have failed to uphold the Westminster system and maintaining the trust of the electorate, according to some of the nation's most respected royal commissioners.

In a series of interviews with The Weekend Australian, *the commissioners warn that the increasing power of executive government over parliament and the unwillingness of some politicians to take responsibility for their actions has undermined public respect and made government less accountable ....*

The former South Australian Supreme Court judge who headed the State Bank of South Australia royal commission, Mr Samuel Jacobs QC, said Australians "talked glibly about the Westminster system, but we don't practice it. To a large extent we've got executive government, parliament is a sham .... I just observe the fact that the man on the bus thinks all politicians are bloody idiots."

Mr Jacobs said the concept of ministerial responsibility meant very little today ...." [6]

Following the October 1998 federal election, *The Australian* ran an article by Peter Andren, the successful Independent in the seat of Calare. His views were refreshingly different:

"Australians are tired of party politics and of broken 'core' and 'non-core' promises. They are sick of the rorts and the rhetoric. They are fed up with being left out of the democratic process, of not having a choice. While the parties and the media have largely concentrated on the closeness of the October 3rd Federal election, they have missed the point. The major parties recorded record low votes and the final 'two-party' result does not reflect the will of a million voters .... As in 1996 I ran a simple campaign based on back-to-basics, grassroots representation. I promised to work hard, to speak up, and to serve the electorate, not a party .... The party machines have forgotten that politics is not just about choosing a government. Politics is also about representation and elections are essentially about choosing local members ...."

Peter Andren went on to explain how he was able to judge each issue in Parliament on its merits, voting accordingly. He did not vote on anything he had not researched in detail. He consulted widely with his electorate. He would not be like " *...party members filing into the House when the division bells ring and asking the nearest Independent what the hell the vote is all about ...."* (7)

Behind the cynicism so apparent, we have forgotten - or never learned - the essence of the democratic process; people in designated electorates or areas vote regularly to select a "representative" for a Local Council, a State or Federal Parliament, to "re-present" what the people want. He or she is a servant of the people; paid to consult with them regularly, and to represent as faithfully as possible the policies they require.

The fulfilment of those policies is handed to an administration, or the Executive, made up of employees who are trained experts in their field. An administration's task is not - as so many of its members believe it is - to decide policy. They once were called "Public Servants", and were much more highly regarded than they are today. The modern equivalent is the 'faceless bureaucrat' and the arena in which he operates the 'bureaucracy'. The bureaucracy has increasingly assumed the role of policy-making, telling politicians what to do.

In other words, the proper role of government has been reversed, and the vested-interest of political parties has prevented the peoples' representatives from doing their job.

Faced with the inertia and deceit which such a situation has produced, the first reaction of angry voters is to find or form a new party. The number of new parties in the last half-century has been legion. They are dealt with fairly quickly. Either they are given the "silent treatment', which means that only a few voters know of their existence; or they receive a barrage of adverse publicity, where a whole series of "trigger-words" ("racist", "fascist", "undemocratic", "nazi", "anti-semitic", "power-hungry", "subversive", "extreme", "ignorant", "naive" etc.) are thrown at them indiscriminately.

This, plus the fact that the party idea generates its own internal power-struggles and back-stabbing, has ensured that new party after party has foundered. And finally, we come back to the natural law that

"Parties Divide - Issues Unite".

It is sad to see people who are in agreement on the essential issues to be tackled and the policies they want, competing to hand "how-to-vote" cards out on election-day.

The only times when electors prevail on their representatives is usually between elections, when the "footy-battle" is over for the time being, and a single issue emerges which brings all voters together. Party opponents on election day find themselves fighting along side each other against an I.D. Card, the Multilateral Agreement on Investment, the selling of Telstra, the changing of the flag, bank charges that are excessive or bank-branch closures, airport noise, excessive rate-increases or an overseas television programme which wants to spoil their environment and take over the beach!

The most complacent member of Parliament becomes agitated when he sees a gathering of a few hundred people in his electorate, including some of his own party branch members, with an axe to grind! It concentrates his mind wonderfully. If the protest is big enough, he is quite prepared to buck the party which is his political umbilical-cord in normal times.

Not every battle is won. But there's a far better chance than forming a new party and sending it to die on the election barricade!

Great masses of people can be united on one-thing-at-a-time - and even more so if it is a policy they DON'T want.

An effective political force assembled in Sydney in 1997, opposed to airport noise. It was quite clear what thousands of men and women DID NOT want.

This overwhelmingly successful unity was quickly shattered when an "Anti-Airport-Noise-Party" was formed. "Parties Divide - Issues Unite".

Once enough of us have been hurt and demoralised by the new-party trap, we may have the environment for the emergence of non-party issue politics, capable of putting some impact back into individual voting.

A bawdy and humorous example is given in the play *Lysistrata,* written by the Greek playwright Aristophanes in the 4th century B.C.

A Greek State had got itself into the same situation of corrupted power and cynicism we see today. It was the women who finally forced the necessary changes. Led by a housewife from Athens, Lysistrata, they issued an ultimatum; until required changes were made there would be a nationwide condition of enforced chastity. To coin a phrase: "No change - no sex!"

For a short time the male population regarded the threat as a huge joke. After all they were, were they not, irresistible? The blood of the Olympians ran red in their veins!

Lysistrata and her sisters held firm, and were deaf to all entreaties.

Laughter gave way to indignation. Greek heroes were not so easily intimidated. Numbered in their ranks were the stoics of Sparta and the endurance-runners of Marathon! If all else failed they could always conduct a lightening raid on neighbouring territory - the Sabine women were charming, were they not?

But Lysistrata and the implacable ranks of womanhood were unmoved. Celibacy became a weapon more terrible than any spear. No laughter rang in the streets of Athens any more.

Frustrated Greek heroes sought other diversions. Aristotle, Socrates and Plato argued interminably about philosophy. Pythagoras doodled with mathematical equations through the long and barren nights. Hippocrates designed oath after oath.

But their hearts were not in it! Finally, enough was enough. A message of capitulation was sent to Lysistrata that the required changes would be made.

To their outraged dismay, the offer was not enough. "We need more than promises," cooed Lysistrata and her formidable army. "Do it first, and we'll talk afterwards."

Ashen-faced and grim, the men of Greece finally made the required changes. They shook their heads and said it would be the end of the very democracy the Greeks themselves had invented.

"We've always done it this way," they told each other in their bathhouses and the private bar of the Athenaeum. "How could women be expected to know how the real world works?"

But the end of the world, somehow, seemed less threatening than a prolonged extension of sexual sanctions. Every feminine demand was finally met, and ancient Greece lived to fight another day!

We can but faintly imagine the exuberance with which sanctions were finally lifted! The Senate at Athens was immediately adjourned. Plato and Aristotle, philosophical differences forgotten, hurried home to a resumption of marital bliss.

Lysistrata and the women of Greece were much too wise to play the politicians at their own game by competing for power. If the lady in question had formed a new party, she would have been sunk. Nor did she go for "quotas" in the Senate, or for affirmative action. Why go through such inanities when there were far better ways to get what they wanted?

I'm not suggesting, you'll be glad to hear, a twentieth-century repeat of Lysistrata's "Chastity-led recovery". But the principle is sound. If one quarter of the two million Australians who either failed to turn up on voting day, spoiled their ballot papers, or refused to vote for the major parties began to network together on one-thing-at-a-time, they'd become a formidable force. The key would be a preparedness to withhold their vote until required policies were put in place.

Between 500 and 1,000 electors in each electorate, who told all candidates they would vote informally unless cast-iron changes had been made, could determine the outcome of elections. They would not have to be members of the same party, or any party at all. They would simply have to agree on a few key specifics and lay them before candidates to start getting results. No candidate can afford to forego 500 votes, let alone 1,000.

From this point on it would require only the exchange of news between electorates to put real muscle back into voting.

An obvious start would be the inclusion of the right of citizens to have binding referendums on matters of great concern, as applies in Switzerland, in each tier of government. Even if, to begin with, this went no further than the right to veto unwanted legislation, a great advance would have been made.

Nothing can be achieved until we have a minority of voters prepared to withhold their vote. Each voter would have to make the mental decision to refuse to continue voting for the things now hurting Australia.

A marvellous example of non-party co-operation occurred when the proposition for a Multilateral Agreement on Investments (MAI) arrived on Australia's desk. Most party politicians had never heard of it, and would have voted for it in the usual course of events among the great mass of Bills they never have time to read.

Based round the internet, a big coalition of different groups and individuals began to network on the issue. Evidence of the same issue came in from other countries. Many of the groups involved were widely divergent in makeup. They came from Left and Right. Some were members of different political parties. But they all united on a single issue and became a force big enough to frighten the Government and force it to put the MAI on the back-burner.

No doubt the issue will come again, when bureaucrats think the opposition has forgotten about it. But the network between a host of disparate groups is growing. News and information is exchanged. Many are discovering that the negative portrayals of different groups and individuals so regularly stereotyped in the media are simply part of the "divide-and-rule" which has kept Australia disunited and helpless.

'People-power' is emerging, and it doesn't need candidates or parties to be effective. As it spreads further, it will be able to impress its will on whoever is in power.

That's what democracy is really all about.

(1) A.C. 1910, p110, Lord Shaw of Dumfermline.
(2) Horne v Barber, 1920, 27 C.L.R., p.500.
(3) *The Australian*, October 12, 1990
(4) *The Australian*, January 9, 1990
(5) *Sunday Times*, April 12, 1992.
(6) *The Weekend Australian*, October 30,31, 1993
(7) *The Australian*, November 5, 1998

CHAPTER EIGHT
BREAKING THROUGH

" ...There are obvious questions as to whether such proposals are politically feasible given the stranglehold of corporations and big money over our political processes. Yet we could use this same reasoning to conclude that human survival itself is not politically feasible.

Global corporations and financial institutions are our collective creations. And we have both the right and the means to change or replace them if they do not serve..."

Dr David C Korten, "Your Mortal Enemy", Schumacher Lecture, October 17, 1998.

Just as world leaders gather in meetings like the Davos World Economic Forum, seeking solutions which at that level are non-existent, so also many ordinary Australians wait for their own political leaders to change the disaster around us.

A growing number now see that answers at that level will not be forthcoming; for the one thing governments cannot conceive is a reduction and decentralisation of their own power.

They are like the alcoholic who will do everything to solve his problem - save give up drinking!

Dr Korten, in his Schumacher lecture, gave these conceptions of what has to be done:

" ... The challenge is to replace the global capitalist economy with a properly regulated and locally rooted market economy that invests in the regeneration of living capital, increases net beneficial economic output, distributes that output justly and equitably to meet the basic needs of everyone, strengthens the institutions of democracy and the market, and returns money to its proper role as the servant of productive activity.

It should favour smaller local enterprise over global corporations, encourage local ownership, penalise financial speculation, and give priority to meeting the basic needs of the many over providing luxuries and diversions for the wealthy few. In *few. In most aspects it should do exactly the opposite of what the global capitalist economy is doing.*

Most of the responsibility and initiative must come from local and national levels .... the protection of people and communities from predatory global corporations is arguably the central security issue of our time ...." (1)

People are finally beginning to see that politicians, with all the power and sanctions of the state at their disposal, are impotent. We are relearning the old truth given us by the British historian Henry Buckle 150 years ago:

"No great political improvement, no great reform, either legislative or executive, has ever been originated in any country by its rulers. The first great suggestions of such steps have been made by bold and able thinkers, who discern the abuse, denounce it, and point out how it can be remedied.

At length, if circumstances are favourable, the pressure becomes so strong that the government is obliged to give way and, the reform being accomplished, the people are expected to admire the wisdom of their rulers by whom all this has been done." (2)

The common thread running all the momentous social problems facing nations and their peoples in the world is debt. Whether it is family breakdown, youth suicides, the drug problem, poverty and starvation, or unemployment, somewhere the majority of these crises are induced by financial deprivation and debt.

A classic example of the dilemma is an open letter by the Premier of South Australia, Mr John Olsen addressed to South Australians in March 1999.

Mr Olsen asked South Australians to vote for him and his party at the last State election on the promise he would keep ETSA (the Electricity Trust of South Australia) in public hands.

Having been voted in, the Premier now claims the State's debt is big enough to justify a change of plans and a broken promise. He wishes to sell ETSA for an estimated $5 billion - into foreign ownership - to pay off part of the State debt, reduce the $2 million-a-day interest bill, and remove the necessity for tax increases.

The mathematics of South Australia's current position appear on the surface to justify the argument. The State debt of some $7.5 billion, is

$5,000 per head of the State's population, or $20,000 for the average family of four.

The interest bill - before any repayment of debt - costs each four South Australians about $35 a week.

So the Premier has sent out his ultimatum: agree to the sale of ETSA, or face increased annual electricity charges of between $150 and $200 per household.[3]

The Electricity Trust of South Australia currently runs profitably and efficiently, delivering about $200 million annually to State government revenue.

The same mathematical equation has been placed before every government in Australia, thus justifying the huge sale of assets and utilities into foreign ownership. It is now being put before nations: "Hand over your sovereignty, obey the rules, or we'll downgrade your credit-rating and you won't receive international funding!"

It is considered impolite and a quick way into the political wilderness to ask: "What is the *origin* of the trillions upon trillions of dollars now washing round the world, being used to impoverish nations, governments, councils, hospitals, transport systems, industries and families?"

How does this money *begin?* And could it be done another way?

Australia has funded essential capital works without debt, and funded national emergencies such as wars with virtually no interest in times past. Why could it not be done again? How did Australia quadruple its volume of money and fund its Second World War expenditure without foreign borrowing, and with no inflation?[4]

Is there something we are missing?

We have endless arguments and television debates about every aspect of economic, monetary and fiscal modelling *except* the all-important one - What is the original source of money?

Until we open this subject up, we end up as always with the question every politician poses when pressed for answers to the social needs of the community: "Where's the money coming from?"

Well, where *does* it come from? Look at our figures for the volume of money through the 'nineties"

Year	Currency (notes and coin)	M_3	Broad Money
1990 (Dec)	$13.8 billion	$201.4 billion	$269.6 billion
1998 (Dec)	$22.8 billion	$358.6 billion	$433.7 billion
Increase	**$9.0 billion**	**$157.2 billion**	**$164.1 billion**

(Definitions: *Currency* comprises holdings of notes and coin by the non-bank private sector.
M_3 is defined as currency plus bank deposits of the private non-bank sector.
Broad Money is defined as M3 plus borrowings from the private sector by NBFIs less the latter's' holdings of currency and bank deposits) .

Source: Reserve Bank of Australia Bulletins.

Whichever of the two definitions you care to use for the volume of money, there was an increase in the money-supply in Australia over the eight-year period of between $157 billion (M3) and $164 billion (Broad Money). That is at least $20 billion more than all the direct and indirect taxes that will be collected by the Australian Tax Office in the 1998-99 National Budget.

Apart from the notes and coin, this new money which came into existence was created by the Trading Banks, and lent to Australians at interest.

There is nothing to stop this arrangement being changed by the Commonwealth Government. It has the constitutional power to do so. It could say that new money required in Australia should be created by the Government - not the private sector.

It could go further. It could say that required additions to the money supply should be CREDITED to the people, rather than charged to them.

How could it be distributed?

The State of Alaska in the U.S. offers a thought-provoking example. With a population of 500,000, an extremely harsh climate and the limited autonomy financially which a State, as opposed to a National Government enjoys, Alaska serves its people well by distributing royalties from its oil exports directly to each individual.

A Canadian press report at the end of 1986 said:

"There's a cheque in the mail as of today for $556.26 for every single Alaskan. Be they nine months of age, or 90 years, every single person of six month's residency in the State will receive that cheque.

In case you're curious, that works out to about $750 Canadian..... The gift comes courtesy of the Alaska Permanent Fund, and it's the fifth year those folks have received a bonus, courtesy of the State's oil wealth. As good as that looks, next year the cheque is expected to grow to $US650 for each of the lucky 550,000 Alaska citizens. ..." (5)

By the mid-1990s the idea had become an appreciated permanent fixture in Alaskan life. A further press report in 1995 said:

"This State (i.e. Alaska) *still makes its living by pulling riches from the ground: 85% of Alaska's budget is provided by oil revenues, and Alaskans pay no income tax. In fact, they receive money from the State each year, about $US900 ($A1,2.600) each last year ...."*(6)

The most recent update - mid-1998 - gives further details:

"The oil industry has been very good to Alaska. Thanks to royalties that the State Government in Juneau receives from the Prudhoe Bay fields, there are no state-wide income or sales taxes.

Indeed, the Alaska Permanent Fund, which was formed in 1976 to set aside much of these riches for future generations, now is providing greater returns from its stockmarket, property and other investments than the State makes from flows coming down the trans-Alaskan pipeline. This comes at a time when revenue is under heavy pressure from years of declining oil prices ..... The Fund is set up so that half its annual income, after accounting for the effects of inflation, is distributed to residents. That amounts now to a handout of about $US1,300 ($Aus. 2,151) for every man, woman and child.

An economics professor at the University of Alaska, Anchorage, Dr Scott Goldsmith, has written a report saying that this state of nirvana could continue for ever, whereas it was just seven years ago that he had warned that declining oil revenue and rising State spending made it inevitable that Alaskans would have a fiscal gap to deal with ...." (7)

This bears thinking about. The 49th State, Alaska, hovering on the edge of the Arctic Circle, a large part of its area in the permafrost belt, flourishes without direct or indirect sales taxes, and pays its citizens a share-dividend, currently about $8,600 per family of four.

Apply this to Australia. In mid-1995 the following appeared:

"The Federal Government has used a World Bank report saying Australia is the world's richest country to attack Opposition foreign debt blow-out claims.

The World Bank found Australia's per capita wealth was $US835,000, highest of the 192 countries to which it applied the new procedure.

Canada was second ($US704,000) followed by Luxembourg and at number 12, the United States ...." (8)

True or not, the island-continent of Australia is one of the most richly-endowed nations on earth. Yet it is also one of the most debt-ridden. Government leaders - like South Australian Premier John Olsen, as well as his federal counterparts - seriously suggest the only way to pay the debt is to sell Australia's asset-base, utilities and industries into foreign hands!

There's a better way of running Australia. The starting-point - only the first of hundreds of things that need to be done - is to take back into national public domain the ownership and control of Australia's money-supply.

Obviously, there is a huge vested interest in preventing such a step. The eminent American historian, Professor Carroll Quigley, in his epic "Tragedy and Hope - A History of the World in our Time" recorded why:

"All these programmes ... are in jeopardy in a country with a private banking system. In such a system, the creation of money (or credit) is usually reserved for the private banking institutions, and is deprecated as a government action. The argument that the creation of funds by the government is bad, while the creation of funds by the banks is salutary is very persuasive in a system based on traditional 'laissez-faire', and in which the usual avenues of communication (such as newspapers and radio) are under private or even banker control ...." (9)

As Dr Korten said in his Schumacher Lecture:

"These are obvious questions as to whether such proposals are politically feasible given the stranglehold of corporations and big money over our political processes. Yet we could use this same reasoning to conclude that human survival itself is not politically feasible.

Global corporations and financial institutions are our collective creations. And we have both the right and the means to change or replace them if they do not serve." (10)

Had the $160 billion or so new money created in Australia between December 1990 and December 1998 been CREDITED to the people, instead of debited to them in the form of compounding, interest-bearing debt, what a different Australia it would be now!

How could it be done? Firstly, in the form of genuine, progressive annual reductions in both direct and indirect taxes; and secondly, by the introduction of a non-means-tested share dividend for all Australian citizens over six months old, as is done in Alaska.

The introduction of such an innovation would free the natural resourcefulness of Australians to do the rest of the job - to buy Australia back, and to give the Australians of tomorrow a land of hope and opportunity.

Such a challenge will require dedication, application, knowledge, co-operation, courage and, above all, faith in the Almighty. These qualities built Australia. They will be needed if we are to save Australia in a time of great danger.

(1) Dr David C. Korten, *"Your Mortal Enemy"* Schumacher lecture, Bristol, October 17, 1998, reprinted in *The Guardian*, (UK) October 21, 1998. Dr Korten is president of the People-Centred Development Forum, Washington State, US. <http://iisd1.ca/pedf>.
(2) Henry Thomas Buckle, English historian, (1821-1862)
(3) An open letter to South Australians, John Olsen, Premier of South Australia, March 1999
(4) For full, documented details, see ***Australia 2000: What Will We Tell Our Children?*** - Jeremy Lee.
(5) *The Edmonton Sun*, (Alberta, Canada), December 26, 1986.
(6) *The Courier-Mail*, (Qld.) June 16, 1995.
(7) *The Australian Financial Review*, (weekend edition) June 27-28, 1998
(8) *The Courier-Mail*, (Qld), September 19, 1995
(9) Carroll Quigley, *"Tragedy and Hope: A History of the World in Our Time"*, MacMillans, 1966
(10) See footnote (1)

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