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"Ye shall know the truth and the truth shall make you free"

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THE MERCHANTS OF DEBT BID FOR COMPLETE WORLD POWER

By Jeremy Lee

In the following special article, written at the conclusion of his 1982 Canadian tour, Mr. Jeremy Lee, National Secretary of The Institute of Economic Democracy, a specialist division of The Australian League of Rights, graphically presents the whole world, both Communist and non-Communist, being strangled in debt by those groups which have developed the most dangerous of all monopolies, the monopoly of credit creation as an interest-bearing debt.

As October opened in 1981, the World Bank and the International Monetary Fund convened their joint annual meeting in Washington, USA. Apart from finance ministers and bank governors, the meeting was attended by over 4,000 bankers, bureaucrats and camp followers.

At the time of convening, the world was facing an accumulation of debt beyond anything ever conceived in human history. Indeed, in the first 36 months of the 'seventies more money was created — as an interest-bearing debt — than in the previous recorded history of mankind.

Third-world debt had topped $500 billion, and over 30 countries in that bloc were on the edge of default — unable to meet either interest or principal. Many had previously sought and received debt rescheduling — the reconstruction of existing debt onto a longer-term basis, with a time-gap before repayment was to restart, or even further borrowing to pay previous loans. But compound interest was enough to present that annual meeting with a situation for which they simply had no answer — except to repeat the process in the hope that something would turn up.

NORTH-SOUTH CONTINUES

During the same week the Commonwealth Heads of, Government Meeting (CHOGM) convened in Melbourne, Australia. Leaders from Britain and Zimbabwe, Jamaica and Tanzania, India and Nigeria plus a number of other countries met to discuss a major report, the Brandt Commission Report, ostensibly designed to meet the world's economic crisis. With over 1,000 journalists and reporters assembled in a security-conscious Melbourne, the $20 million CHOGM conference reached no conclusions, and many of the same leaders re-convened in Cancun, Mexico, three weeks later without getting any further.

The Brandt Commission Report advocates, amongst other proposals, a world central bank, United Nations control of basic commodities, an international income tax as an aid mechanism, and debt cancellation or transfer as part of a shift in technological resources from 'North' to 'South'. It is seen by many, with justification, as a blue-print for world government; for example, the organisation "Parliamentarians for World Order" (PWO), comprising over 550 members from 18 countries, has taken the Brandt Report as its working model.

But the sheer size of the crisis and the immensity of the debt has so far infected these international conferences with inertia

POLAND

Meanwhile, a growing crisis in Poland was manifesting itself in the same way — unpayable debt. As 1981 moved to a gloomy end, Christmas in Poland was bleak. Silent food-queues formed on Christmas morning, which were still in place by 9 o'clock the following day. Shops offered little more than bread and inadequate amounts of Polish sausage.

Westward of Poland, communist East Germany also faced enormous food shortages at that time, as did Bulgaria. But the situation once the Iron Curtain was crossed changed dramatically. West Germany enjoyed as good a Christmas as anywhere in the West. Shops were packed with turkeys, chickens, plum puddings, hams, bacon, sausage, bottled fruit and jams — the bulk of it imported from Poland! In fact, Poland's trade union movement, Solidarity, had formally demanded that Polish food production should be kept at home until local hunger was assuaged — a demand denied by the Communists.

What factor forces a nation to export food while its people starve?

The answer was clear enough one week later, as 500 inter-

OUR POLICY

To promote loyalty to the Christian concept of God, and to a society in which every individual enjoys inalienable rights, derived from God, not from the State.

To defend the Free Society and its institutions -private property, consumer control of production through genuine competitive enterprise, and limited, decentralised government.

To promote financial policies, which will reduce taxation, eliminate debt, and make possible material security for all with greater leisure time for cultural activities.

To oppose all forms of monopoly, whether described as public or private.

To encourage electors always to record a responsible vote in all elections.

To support all policies genuinely concerned with conserving and protecting natural resources, including the soil, and an environment reflecting Natural (God's) laws, against policies of rape and waste.

To oppose all policies eroding national sovereignty, and to promote a closer relationship between the peoples of the Crown Commonwealth and those of the United States of America, who share a common heritage.

national banking groups met in Paris to discuss the Polish crisis. The names of those banking firms are commonplace throughout the world. Their investment portfolio is global. Week by week the world's economic and investment papers list their latest stock acquisitions — usually government-backed and guaranteed. They buy into railways and minerals; electricity commissions and irrigation schemes; oil and coal; government corporations and governments themselves. Such names as Chase Manhattan, Salomon Bros., Morgan Guaranty, Dillon Read, Goldman Sachs, L.F. Rothschild, Warburg Paribas Becker and a host of others now comprise an international club, simply engaged in buying up the world.

DANGER LINE

Under a loosely held banking convention, a nation, which requires more than 20 percent of its exports to service debt has exceeded the safety limit. As 1982 started, Poland had an export/debt-service ratio of over 100:1. In conventional terms there was no possibility of recovery. Poland was now a precedent watched closely by the numerous other communist and third world countries fast approaching the same position What would happen when such a nation went bankrupt?

But Poland was merely the worst of a sorry bunch of economies in the communist bloc. The Royal Bank of Canada gave these figures:

EAST BLOC COUNTRIES TOTAL FOREIGN INDEBTEDNESS (December 31st, 1981)

Bulgaria	$5.5 billion	Poland	$28 billion
Czechoslovakia	$5.7 billion	Romania	$13 billion
East Germany	$14.5 billion	U.S.S.R	$16 billion
Hungary	$8.8 billion	Yugoslavia	$21.5 billion

The ratio of exports to debt-service in the communist bloc as a whole is 40:1 — double the danger line set by the bankers themselves.

The USSR's apparently favourable position in comparison to its satellites is not a true indication. *The Australian* (23/2/82) reported:

"Startling new evidence, uncovered in Polish Communist Party documents, indicates that large-scale transfers of Western high technologies to the Soviet Union were made through Poland in the past decade and were financed with Polish hard currency. During the brief spell of liberation brought to the people of Poland by the Solidarity trade union movement, a document was tabled at a Communist Party meeting, telling how the Polish hard currency debt was largely caused by Soviet use of Poland as an international financial clearing house . . . The document now uncovered shows that the Soviet Union created a special accounting system for trade between Poland and Soviet purchasing authorities and set up an exchange system under which Poland received raw materials in return for finished products. This technique freed the Soviets from spending hard currency on imports. The Polish government began to purchase licences, finished equipment and products from the West, using hard currency gained in loans from Western banks — loans that now cannot be covered. Products made or obtained by Poland were sold to the Soviet Union at an exchange rate which allowed Moscow to make a currency profit of 30 percent on the trade, while Poland ran up immense bills in Western dollars..."

A new word appeared at the Paris convention of international bankers — "blitz-kredit" — a word coined by the communists themselves. It simply says: "We in the communist bloc now owe so much money that if we cannot, or choose not to pay, it will bring the whole economy of the west crashing down."

LOAN GUARANTEES

The bankers were not as worried as might be supposed. In the event of international default on debts, the larger part of their operations is under-written by western government-guaranteed export insurance schemes. In Britain, it's the Export Credit Guarantee Department; In the United States, the U.S. Export-Import Bank; In Germany the Kreditanstalt fur Wiederaufbau; in France the Compagnie Francaise d'Assurance pour le Commerce Exterieure (COFACE); in Canada the Export Development Corporation; and in Australia the Export Finance Insurance Corporation (EFIC).

Nevertheless, a massive series of defaults is not something relished by any banking group. Press coverage of the banking convention in Paris was significant:

TIME (Jan 4,1982) said: "… The official U.S. position in the Polish debt battle is to stay out of the negotiations amongst the private bankers. The Government is especially wary of being forced to grant any type of loan guarantees. The Administration is also trying to keep economic pressure on the Soviet Union in order to force that country to commit some of its financial resources to Poland. Bankers and politicians expect that sooner or later the Soviet financial umbrella will be raised over Poland. **But the real beneficiaries of such action will not be the Poles but the western financial institutions that have been lending money loosely in Eastern Europe."** (Emphasis added)

In fact, a public statement by one major banker at the Paris conference, starting with the words "Speaking strictly as a banker." Went on to say that the sooner the USSR took firm action in Poland, the better this would please the gentlemen of finance!

SIBERIAN GAS

By mid-February, the United States was deeply divided as to the precise action necessary in Poland. *TIME* (Feb. 15, 1982) reported Caspar Weinberger, the U.S. Defence Secretary as arguing that "... increasing the credit burden on Moscow might slow construction of a proposed $15 billion natural gas pipeline from the Soviet Union to Western Europe. The U.S. is anxious to scuttle the pipeline because it would make Western Europe dependent on the Soviet Union for vital energy..."

In fact, the pipeline referred to is the biggest venture of its kind ever undertaken anywhere in the world. Planned to stretch over 3,000 miles from Siberia to Western Europe, its completion will comprise beyond recovery both NATO and Western Europe's economic independence. Already, West Germany's huge steel industry is tied up in contracts to the USSR, and over 300,000 West German workers depend in the USSR for their jobs.

Belatedly, the United States would like to see the pipeline project crippled. It has been pointed out that bigger quantities of natural gas exist in the North Sea fields than in Siberia. Development costs would be less. What pressures, therefore, keep the Siberian pipeline to the fore?

Paul Scott gave us the answer in a widely-published column back in March, 1974: "… The astonishing facts are that U.S. oil and equipment and service suppliers are now well on the way toward selling a billion dollars worth of their products to Russia with the full blessing and encouragement of the Nixon administration . . . Occidental Petroleum Corporation has obtained preliminary approval for developing Siberian gas fields with the aid of funds from a consortium of American banks, and is now seeking additional funds from the U.S. Export-Import Bank to finance the deal..."

Scott went on to give details of a memorandum circulated through the House by a group of Congressmen headed by Reps. R.H. Ichord and John Ashbrook, which stated:

"We believe that American financing of Soviet gas exploration at this particular time in history, especially at an interest rate of 6 percent (which is, in effect, to be subsidised by American taxpayers) smacks not only of poor business judgment but suggests a disregard for our national security. Every nation's defence capacity is directly related to its energy resources."

ARMAND HAMMER

Occidental Petroleum's chairman, Armand Hammer, is son of Julius Hammer, one of the founding members of the United States Communist Party. Now in his eighties, he has long been one of the busiest entrepreneurs between East and West. Occidental produces much of the fertilisers for Soviet agriculture. It handles the oil in Libya for Col. Gaddhafi. Occidental (Australia) Pty. Ltd. has been involved in recent promising finds of oil at Blina in Western Australia. Hammer has recently agreed to invest $230 million in a coal-mining venture with Red China. The mine, which will be the world's largest, will produce 15 million tons of coal a year to start with. When fully operative it will bring in revenues of $600 million a year for 25 years. The mine area covers 14½ square miles and holds about 1.4 billion tons of coal in reserve. *Spotlight* (April 12) reported:

"... The largest deal Red China has consummated since Richard Nixon opened up the country to Western investment, it places Hammer in what some observers feel is a delicate situation. Hammer is notorious worldwide for his deal with the Soviet empire. When asked how he could jeopardise his lucrative contacts with the Soviets, Hammer is reported to have replied: "There's no problem. The Chinese are communists, you know. And they are well aware of how much I did to help Nikolai Lenin and the Bolshevik Revolution..."

The West's chickens are now coming home to roost. In Churchill's words: "We are all feeding the crocodile in the hope that it well eat us last."

Robert Rosenblatt, writing in the *Vancouver Sun* on March 16, said "... With the Soviet bloc owing a combined debt of $80 billion to the West, the economic leverage belongs to the communists, assistant U.S. Secretary of Commerce Lawrence Brady told a group of U.S. businessmen recently. "In fact, the USSR has created a veritable 'Soviet lobby' in Western business and government circle," he lamented. Moreover, it is the Western Alliance, not the Communist bloc that is feeling the political strain. "Soviet leaders are inventing a new style of double-speak to confuse the West," Brady said. "While they threaten Europe with economic sanctions, they denounce the United States for its ' unacceptable' use of the trade weapon..."

WESTERN ASSISTANCE

The mere possibility of U.S. pressure on the Siberian pipeline prompted immediate action from other western nations. Canada immediately made a special loan of $600 million, at 10 percent interest, to the USSR for the pipeline project. A sum of $198 million was made by the Federal Government in Ottawa from General Revenue to subsidise the interest on the loan — at a time when Canadians are paying between 18 and 20 percent.

A consortium of European based banks added up to $12 billion in further loans for the project.

Canada itself is already in a dangerous situation. Outstanding loans in mid-February from the Communist bloc totalled $3,500 million. On March 9th it was announced that Canada had extended bankrupt Poland a further loan of $500 million for the purchase of Canadian wheat, while Australia also granted credit to the USSR for a wheat sale of 1 million tonnes.

This then, was the situation when a final decision had to be made over Poland. Would the West force Poland into default? The answer had obvious implications, not only for the communist bloc, but also for the 30 or so bankrupt nations in a Third World owing more than $500 billion.

A huge sigh of relief swept round the world when the United States agreed to pay Poland's interest bill, and to assist in yet another re-scheduling of unpayable debt.

Quite predictably, with such a precedent, the results weren't long in coming. *TIME* (March 8th, 1982) told us: "As Western banks and governments are discovering, collecting overdue loans from Eastern European countries is an exercise in smothering fires that never quite die. Not only is the Polish Government broke and in debt to Western creditors for upwards of $28 billion, but all of a sudden the Communist bloc has produced another potential billion-dollar deadbeat: Rumania . . . The country's newest yoke is high external debt — upwards of $10 billion — and it's weighing heavily. Two weeks ago, after a patient wait of about two months, the European American Bank finally asked the U.S. Commodity Credit Corporation to make good on an overdue instalment of $5.5 million on a loan obtained by Rumania to buy U.S. farm products. Earlier, First Chicago International had made a similar claim for $300,000. As an initial guarantor of loans, the CCC had to pay off. . . The Soviets are not in any position to help Rumania climb out of its financial hole, even if they wanted to help . . . With Poland and Rumania already shaky, the rest of Eastern Europe cannot be far behind. Says Rimmer de Vries, Morgan Guaranty's chief international economist: It's the domino effect. None of the Eastern bloc countries is well managed. There is simply not enough co-ordination." Headed for severe lending problems are East Germany and Hungary. That would place the East bloc on deadbeat status, owing principal and interest on socialist economic systems that for one reason or another have never delivered the goods for their people..."

SLIDE STARTING

By the end of April Yugoslavia's position was shaky. Australia's *Financial Review* (27/4/82) reported: "Yugoslavia wants to borrow about $400 million in medium and long-term money on the international markets this year to pay off some of its short term debt and to ease a payments position that has made Western bankers nervous in the wake of the Polish crisis . . . Yugoslavia is due this year to repay $2.4 billion worth of principal and $2.1 in interest. Its total financing gap is put by the National Bank at $3.4 billion to cover the current account deficit and to build up reserves..."

In fact, the Soviet Union may already be anticipating a mass of defaults in the near future. *Newsweek* (Feb. 8, 1982) said: "Banking sources think that the Soviet Union is applying a lesson learned from Iran's financial plight after Jimmy Carter froze Iranian assets in the United States. The bankers have noticed that the Soviets are keeping their U.S. bank deposits at a level substantially below their debts to U.S. banks. The latest figures show $52 million in Soviet deposits and $417 million in debts. This, if Ronald Reagan wanted to freeze Soviet assets because of Soviet involvement in the Polish crackdown, Moscow could retaliate by ignoring its debts, leaving U.S. banks to swallow the loses..."

THIRD WORLD

If the situation in the Communist bloc is grim, it is catastrophic in the Third World. Latest figures from the Organisation for Economic Co-operation and Development (OECD) show the 1981 deficit of non-oil producing Third World countries has doubled in the last two years to $70,000 million. Total Third World indebtedness now stands at $US524, 000 million, up *15%* since 1980. Debt servicing, in terms of interest and amortisation alone has gone up by 22% to $US112, 000 million in 1981.

Costa Rica, the Sudan, Zaire, Zimbabwe, Tanzania are all in deep trouble. Vietnam has already defaulted on a debt of $500 million, managed by Japan. Now two of the larger economies in the Americas are blowing up — Mexico and Argentina. In Mexico, current inflation has topped *30%* and is rising rapidly. Canada's *Financial Post* (March 27,1982) said: " . . . Mexico's foreign debt, at more than $US60 billion, is second only to that of Brazil in Latin America, and its current account deficit increased last year to $US11 billion..."

The Argentine is worse. Industry is running at 50 percent capacity. Inflation is over 100percent averaging 131 percent in 1981. Debt is crippling. The week before the Falklands invasion, 1,000 people were arrested in major rioting over economic conditions in Buenos Aires.

Argentina's total foreign debt is now $32 billion. More than $16 billion of Argentine debt is due to be paid this year, and if banks decline to renew these loans, Argentina will almost certainly go into technical default. According to the Bank for International Settlements in Basel, Switzerland, banks in 15 industrialised countries had about $21.6 of loans outstanding to Argentina at the end of last September. According to the US Federal Reserve, Argentina's debt to banks in the U.S. totalled $8.6 billion as of January. Canada is owed about $1.5 billion.

Unquestionably, the world is on the edge of a runaway tidal wave of defaults — each one adding to the intensity of the next.

The result, if the international banking fraternity is to maintain its single-minded global monopoly, is that the West is expected to foot the bill. In fact, this is one of the main tenets of the Brandt Report and the New International Economic Order.

WHAT OF THE WEST?

But is the West in any shape to pay? Certainly not. Huge cracks are already appearing in Western economies. The British situation is chaotic. It has already seen the demise of many British industries. British steel, nationalised in the post-war period, is only propped up by huge injections of tax-payers' money. British Leyland — almost all that remain of the car industry - - has been bankrupt twice. The textile industry in Bradford is closing down. Both the shipping and aircraft industries are shadows of what they used to be.

Britain's basic problem is public and private debt. Part of Britain's $250 billion national debt is still owed on World War I. Britain has paid the original loan twice in repayments, but compound interest has left a sum still outstanding bigger than that originally borrowed. Final payment is scheduled for the year 2004!

Apart from an unemployment queue over 3 million; there has been a shift in Britain's workforce of over 28 percent from private industry to government in five years.

Both northern and southern Ireland has massive financial problems. Of Eire's annual budget, 66 percent goes in interest payment on debt. Southern Ireland is fast approaching debt default.

The E.E.C. faces familiar problems. Unemployment is just under 10 percent. The *Western Producer* (Canada, March 18, 1982) said:

"... After hovering steadily at the six million mark in the mid-seventies, unemployment suddenly began what became an uninterrupted rocket ride in May 1980, reaching 10.2 million in December 1981 and shows no sign of stopping before hitting (at least) 15 million by 1985. Some experts, including those at the Brussels-based European Trade Union Confederation, are predicting 18 million by mid-decade, nearly double the present figure . . . Governments have been shaken, or have fallen, in large part because of their failure to fight rising unemployment effectively (France, Belgium, Greece, the Netherlands). Labour unrest has increased (Britain, Belgium). Protectionism has lifted it head (Britain, France, Italy). And human beings have been shattered (everywhere)..."

AUSTRALASIA

Australia and New Zealand have similar problems. New Zealand's National Debt is just under $4,000 per head of population. Combined taxes, from municipal to central government, take well over 50 percent of national income. Interest rates are outrageous, and home ownership almost impossible for young people.

Australia — physically one of the richest countries per capita in the world, had a national debt of $32.6 billion in the middle of 1981. The combination of Federal, State and Local Government taxes take 50 percent of national income.

A growing part of Australia's debt is overseas borrowing. Sir Roderick Carnegie, chairman of C.R.A. recently warned the National Farmers' Federation in Canberra of the danger involved. "Over the past six years, Australia went into debt to the tune of $16,500 million," Sir Roderick said. *(Adelaide Advertiser,* April 29, 1982) . . . He added "The fact of the matter is that these mounting loans have to be paid back, and interest has to be paid on them in the meantime, and equity serviced by way of dividends..."

It is not only government that is in debt. The private sector is carrying a huge debt burden. *The Bulletin* (January 19, 1982) gave a picture of Australia's most debt-ridden public companies. The increases in overall debt were significant:

THE MOST DEBT-RIDDEN COMPANIES...

Balance date	Company	Current debt/equity	Rank	Debt/equity yr ago	% Change over one year	Total debt now ($'000)	Total equity now ($'000)
31.12.80	AGL	789.10	1	712.42	9.38	346,326.94	43,889.00
30.6.81	Tancred	287.44	2	407.39	- 29.44	43,896.26	15,271.19
30.6.81	Elders	212.53	3	208.60	1.89	586,521.88	275,968.00
30.6.81	UPL	184.52	4	165.04	11.80	71,846.98	38,937.00
30.6.81	Hooker Corp	179.00	5	183.10	2.24	182,861.00	102,178.00
31.7.80	Clark Rubber	164.32	6	109.22	50.44	24,447.00	14,878.00
31.12.80	Philips	163.12	7	277.43	- 41.20	118,288.98	72,516.00
30.6.81	Examiner-TV	151.73	8	127.77	18.75	13,819.45	9,108.05
30.6.81	Pioneer Concrete	139.60	9	77.60	79.90	491,102.00	351,715.00
30.6.81	Chas. Davis	126.23	10	137.93	8.48	43,113.29	34,155.47
28.6.81	Fairfax	122.22	11	112.71	8.43	115,530.98	94,530.00
30.6.81	Webster	121.54	12	93.49	30.01	13,944.54	11,473.05
31.7.80	Buckley & Nunn	119.39	13	116.81	2.21	9,771.51	8,184.78
30.6.81	Spotless	109.72	14	64.47	70.18	8,780.00	8,002.00
30.6.81	Kern Corp	99.05	15	114.67	13.62	18,373.09	18,549.46
30.6.81	Burns Philp	97.89	16	106.00	7.65	242,020.97	247,226.97
30.6.81	TNT	97.80	17	120.16	18.61	232,809.97	238,044.00
30.6.81	DJs Properties	88.88	18	70.84	25.48	97,232.00	109,390.98
30.5.81	Aust. Bacon	85.52	19	71.73	19.22	13,113.00	15,334.00
30.4.81	Sidney Cooke	83.94	20	42.34	98.25	19,752.00	23,532.00
30.9.80	Clem Marshall	81.87	21	90.94	9.97	4,618.35	5,640.94
30.6.81	Acrow	80.01	22	94.49	- 15.32	8,301.36	10,374.85
30.6.81	Wills G&R	79.78	23	94.01	15.14	11,843.00	14,845.00
31.12.80	Anderson Meat	79.33	24	94.94	16.44	8,559.00	10,789.00

CANADA AND THE U.S.A.

Canada's public debt position is frightening. Federal debt has increased from $22 billion in 1970 to $130 billion in 1982. This does not include Provincial or Municipal debt, which adds a further $60 billion to this total. Federal taxes now take $3,000 per head, and with Provincial and property taxes added, the figure has reached $5,000 per head — $20,000 in total direct and indirect taxes for the average Canadian family of four. Of this huge tax revenue, approximately 23 percent is paid as interest on public debt — a higher percentage than elsewhere in the West, with the exception of Northern Ireland.

The main escalation in these figures has occurred in the last three or four years. The same sudden jump can be seen in all western economies. For a long time the increase in pressure was gradual. Continual improvements in technological expertise and productivity — which should have resulted in a drastic fall in financial costs — at least enabled adjustment to be no more than uncomfortable and the casualty rate small enough to be ignored. But the longer a problem is evaded, the more painful the final outcome. Today, crisis grips Canada. The soup kitchen — a relic of the 'dirty' thirties — is back in cities like Toronto, and relief agencies report a deluge of destitute applicants. Bankruptcies in farming, manufacturing and corporation sectors have increased alarmingly. The lumber industry has all but closed down. Canada's oil industry — sacrificed on the altar of the National Energy Programme — is rapidly disintegrating.

ETERNAL BORROWING

Sooner than face the devastating effects of their own taxation policies — more savage than in feudal times — all levels of Government in Canada — and of course in similar western economies — have been content to borrow as though no other means of progress existed, sending the escalating bill to an increasingly battered taxpayer. An editorial in the Kingston, Ontario daily *The Whig Standard* (April 5,1982) summed this up well:

"Does government think that inflation can be beaten in Canada? Don't bet on it. The Federal Government and the Provincial Governments are still dumping billions of dollars in debt on the international money markets — at interest rates of more than 15 percent and pledged for 20 years. (In recent advertisement) for example, the Government of Ontario gives notice that it has marketed $200 million (U.S.) in debentures. The interest rate is 15¾ percent and the principal falls due on March 15, 2012 . . . Much of our government-issued debt is marketed internationally, and repayable in U.S. dollars. A depreciation of the Canadian dollar, at any time during the life of the debt, means a further increase in the cost of the debt . . . One way or another, the foreign investor who lends money to Canadian governments will probably manage a real return on their investment — or else they won't lend their money. For Canadians, however, different rules apply. Squeezed by inflation, harassed by interest rates and burdened by taxes, Canadians will keep paying a high price interest for the debts their governments assume in their name..."

The loan referred to was only one of a series in a two-month period in Canada, which also included huge loans to the Manitoba government, Canadian National Railways and Hydro-Quebec. In most cases the loan formation was managed by Salomon Bros, and included the same international coterie whose huge loans feature now in every economy in the world. Their names are listed in similar investments right round the world — mining ventures in Australia, utilities in Africa and Latin America, resource ventures in Europe and the Middle East, or the massive and non-stop western export trade to the communist bloc and the Third World. In most cases the buck stops with an increasingly bemused and battered taxpayer.

The money lent by these bankers is largely created credit!

THE UNITED STATES

The biggest economy in the world — the United States of America — is also being stretched on the debt-rack. The 1982 budget deficit alone has topped $100,000 million. On top of this figure, the Administration is trying to find $115,000 million interest on a national debt that has topped $1 TRILLION. *Time* magazine, in an inadequate attempt to convey the size of a trillion-dollar debt, explained that a line of one trillion dollar bills, each touching, would reach 1.2 million miles into space the other side of the sun!

The effect on industry is staggering. Two-and-a-half million farmers in the U.S. have an average debt of $85,000 per farm — a combined total farm debt now exceeding $200 billion!

But farmers aren't the only ones affected. The New York finance magazine *Forbes* (March 29, 1982) said:

"... Gross interest payments are flowing through the economy at a rate approaching $900 billion a year — about $4,000 per year for each American man, woman and child. That's interest mind you, not debt. It's an increase of 200% since 1976 . . . The tremendous burden of debt service is taking a growing toll in bankruptcies, savings and loans failures, dividend omissions and continued declines in housing prices . . . In 1950 the average corporation had $43 of operating income after depreciation to meet each dollar of interest payments; today's figure is less than $4 . . ."

Newsweek (March 15, 1982) devoted its feature article to the perilous situation facing the nation's savings and loans institutions. It said: "... Years of inflation and backbreaking interest rates have profoundly eroded an industry that holds billions of dollars of small savings deposits. As a group, the nation's savings and loans associations and savings banks lost a staggering $6.4 billion in 1981 — far more than the losses of the beleaguered auto and airline industries combined. Faced with the prospect of even larger losses this year, hundreds of thrift institutions will simply not survive . . ."

With sublime optimism and a devastating lack of logic *Newsweek* claimed: "... There is no chance that individual depositors will ever lose their savings; accounts of up to $100,000 are fully ensured by the Federal Government . . ."

The result is that financial crisis grips the United States. In 1973, $1 of farm income supported $2 of farm debt. Today's figure is $1: $12. Unemployment has hit 9 percent, leaving 10 million Americans out of a job. Corporations, which successfully survived the 1930's Depression, are now going to the wall.

CONFIRMATION

Confirming the interest figures given by *Forbes, Spotlight* (April 12, 1982) reported:

"While leading economic indicators "have been dropping for 10 straight months, signaling a sick economy growing sicker, one index figure has risen to record heights: debt. Cumulative annual interest costs, already above $900 billion, will hit $1 trillion this year — a usurious toll on assets and revenues of America unprecedented in economic history. The U.S. multibanks have pulled off an amazing coup. In a political setting, it would be called a 'coup d'etat'. Dr. Julius Landherr, the distinguished West German economist, told the *Spotlight* in a Manhattan interview:

"They have overthrown the existing economic order and replaced it with a debt dictatorship. Under this new system, every protagonist in the American national economy — the government, business, industry and private citizens — must labour primarily to service and maintain their enormous debt…"

Americans now pay out nearly a quarter of their accumulated disposable personal income in interest — a drain on the resources of wage earners and taxpayers that has risen threefold since 1972. Percapita interest now averages $4,000 for every U.S. national citizen, whether he is a participant in the national economy as a worker or investor, or not. An American baby born on January 1st, 1983 will come into the world squalling and kicking -- and owing a debt service burden of nearly $5,000 for the first 12 months of his life.

Although the senior spokesman for a number of leading mega-banks — led by David Rockefeller, the chairman, and still master of the family flagship Chase Manhattan Bank — have been hypocritically urging President Ronald Reagan to reduce the staggering 1983 deficit (now projected at $200 billion) the truth is that fully two-thirds of that devastating budget short-fall represents the treasury's debt service costs.

DECIMATION

Spotlight went on: "A growing number of hard-pressed corporations find that they have to pay over most — or in some cases, all — of their operating income to the mega banks as current debt service. Conglomerates that have gone hunting for credit to finance acquisitions and expansion are particularly hard hit. The giant Del Webb Corp. has paid out just about 86 percent of its income in interest in 1981; it was still better off than some leading businesses, which had to go deeper into hock to service their loans, paying out — as did the hustling Commonwealth Oil Corp. — half again as much interest as their total operating revenues. Some companies are driven directly into bankruptcy by their crippling interest bite. The faltering International Harvester Co., borrowing desperately to stay afloat, now finds itself buried under interest demands totalling just about $400 million yearly — which are, in turn, just about 40 times more than the ailing giant's $10.5 million operating income for 1981.

"In housing, travel, farming, automobiles, the machinery industry," revealed a knowledgeable Wall Street source, himself a former senior Chase Manhattan Bank official, "small and medium-sized firms are being decimated by murderous debt-service demands. At least, that is how I myself used to put it. Then I looked at the figures and realised that I was talking nonsense. To 'decimate' means that you wipe out one in 10. The accurate term for what the banks were doing to companies that needed credit was 'massacre' . . ."

Well might it be asked how any nation can end up with a per capita interest debt of $4,000? The answer lies in the deception of statistics. The United States National Debt is, as quoted, 1 trillion dollars. The real scope of this debt is nearer $11 trillion. In mid-1981, the figures looked like this with regard to the United States:

DEBT OR LIABILITY ITEM	GROSS COST $	PER CAPITA $
Public debt	971,000,000,000	12,137
Accounts payable	149,000,000,000	1,612
Undelivered orders	452,000,000,000	5,650
Long-term contracts	20,000,000	250
Loan & Credit guarantees	321,000,000,000	4,012
Insurance Commitments	2,219,000,000,000	27,737
Annuity Programs: Unadjudicated claims, International commitments and other	6,900,000,000,000	86,250
Financial Obligations	46,000,000,000	575
TOTAL	11,058,000,000,000	138,223

THE UNHOLY ALLIANCE

One-time British Columbia Appeal Court judge Les Bewley, describing the unsuspected alliance between multinational corporations and communist governments *(Vancouver Sun,* Feb. 20, 1982) concluded:

"... These multinationals, financed by large bank loans and credits (often guaranteed by governments) permit communist regimes to acquire staggering credits to finance importation of plant, technology, managerial know-how and servicing from capitalist companies. The idea is that the Communist regimes will try to repay the debts from production in the imported plants. The beauty of the scheme is that Russian-bloc workers are paid 10 to 20 times less than Western workers. They have no collective bargaining rights, are not allowed to strike, and provide a cheap, highly disciplined pool of exploited labour for their communist masters and the multinational exploiters alike. The multinationals earn large profits; the communist states acquire hard currency and advanced technology. Now you understand why the Solidarity movement in Poland had to be crushed by the communist state, and why the West, held hostage by stupid, avaricious, unprincipled bankers, cannot effectively help the Polish people to regain their freedom . . ."

Who are these multinationals, and have they any connection with international banking?

A check of *Poor's Register of Corporations, Directors and Executives* shows as an example, that the partners of the international banking firm of Goldman Sachs are now serving as directors of dozens of multinationals, including Ford, Continental Con., Bulova Watch, Cowles Communications, B.F. Goodrich and Data Control Systems; Kuhn Loeb partners are also directors of giant multinational firms, among them Sears, Westinghouse, U.S. Rubber, I,T, & T., Polaroid, Getty Oil, and Kennecot Copper; and Lehmann Bros, partners are directors of such multinational giants as Pan American Airways, Singer, Shell Oil, Western Union, Union Oil and Standard Oil, Litton Industries, General Motors, IBM and Chase Manhattan Bank.

The *Washington Post* (Jan. 19, 1978) observed: "The nation's biggest banks don't quite own each other, but they come close to it, a voluminous new Senate study indicates. The leading banks in America are so closely tied together that they control the biggest blocks of stock in each others' parent holding companies..."

Gary Allen, in his booklet *Energy Cartel,* adds: "Yes, the banks are one big happy family, and the giant oil companies are an important part of that family. Sixteen of the directors of First National City Bank sit on the boards of seven different oil companies. The mega banks are also major owners of stock in the major multinational oil companies..."

Australia's recently chartered new trading bank, The Australian Bank Ltd., is also funded from similar sources. *The Sydney Morning Herald* (July 13, 1981) said: "The Australian Bank Ltd. has won Federal Government approval to include three overseas groups as shareholders in its money-market subsidiary. The subsidiary, Australis Securities Ltd. will be 60 percent owned by the Australian Bank with the remainder being held in equal shares by Banque de Paris et des Pays-Bas, S.G. Warburg International BV of Britain and A.G. Becker-Warburg Paribas Becker Inc. of the United States..."

SOUTH AFRICA AND CANADA

Something of the global extent of this huge monopoly can be seen in this article syndicated by the *Washington Post (Vancouver Sun.* April 13, 1982):

"The South African diamond and minerals empire controlled by Harry Oppenheimer is rapidly becoming a major investor in mining, energy and commodities companies in the United States and Canada. Through a subsidiary called Minorco, a Bermuda holding company, the South African firms headed by Oppenheimer have invested hundreds of millions of dollars in coal, uranium, gold, copper and other important minerals and have developed the capital resources to finance further acquisitions . . . Oppenheimer is chairman of the Anglo-American Corp. and of its affiliate, De Beers Consolidated Mines Ltd. each of which owns a substantial interest in the other . . . Anglo American is the biggest single economic factor in South Africa ... the Western World's largest producer of gold, diamonds and platinum. De Beers operates a monopoly in the diamond trade, marketing 80 percent of the world's diamonds, including the Soviet Union's. Oppenheimer is the chairman of Minorco, an acronym for Minerals and Resources Corp. Also on the board of directors ... are Robert Clare, a partner in the New York law firm of Shearman and Sterling, which represents Citibank; Felix Rohatyn, head of the investment banking firm of Lazard Freres, and Cedric Ritchie, chairman of the Bank of Nova Scotia. One branch of the Anglo American web runs through Canada, where Anglo Amcan of Canada, a wholly-owned subsidiary of Minorco, owns 45 percent of the stock of Hudson Bay Mining and Smelting Co. Hudson Bay controls the Terra group of fertiliser and chemical companies and a group of seed, fertiliser and agricultural warehouse companies in the Midwest farm states . . . Amcan and Hudbay also hold a controlling interest in the Francana oil and gas companies in Canada . . . Minorco is the largest single stockholder in Phibro Corp. the giant New York commodities trading company. Minorco . . . owns 27.2 percent of all outstanding shares, a stake worth almost $450 million . . . Phibro, the world's largest publicly owned commodities trading company, had worldwide sales of more than $25 billion last year, a fourfold increase over its sales five years earlier. **It is also the sole owner of the New York investment house of Salomon Brothers, which Phibro acquired last year for $800 million** . . . (emphasis added)

TRUTH WILL OUT

All this massive accumulation of evidence on the debt position throughout the world makes nonsense of the futile theories peddled through orthodox economic faculties, and slavishly followed by governments over half a century with continually deteriorating results. Keynesian economics, which advocates "pump-priming" by governmental spending of borrowed money into existence to "stimulate" economic activity in depressed periods, has not one shred of credibility left. .

Monetarism — made fashionable by Milton Friedman — which advocates a strict control of the money supply and ‘balanced budgets’ in an otherwise, unrestricted market place, can only show the dismal results in Britain, the United States and Australia in evidence.

The few honest observers in political and financial fields now concede that neither of these theories has served to protect prosperity and freedom.

A conservative reaction just as deluded now seeks the re-establishment of the gold standard, in the belief that the intrinsic value of the money unit itself is the best protection against fraudulent and inflationary money creation.

None of these theories touches the root of the problem — the fact that all money, with the exception of that negligible portion actually minted as notes or coin, and irrespective of the rate at which it is created, by whom or in what form, is lent into existence with a compounding interest charge. As confirmed by the October, 1978 *Bank of New South Wales Review:* “ . . .All money is a debt to the banking system..."

This being so, debt and interest become a cost, which must be covered in the price structure. As the only purchasing power to meet prices is that which has been borrowed into existence, prices must always be higher than available purchasing power, the deficiency being covered by an ever-increasing public or private mortgage. This holds true irrespective of the rate at which money creation takes place.

The deficiency is compounded as mortgage factors, depreciation, taxes and the reinvestment of savings widen this gap, producing a compilation of debt on an individual, a local, a provincial, a national and finally an international basis now quite obvious from the evidence available.

A return to the gold standard is quite meaningless, and would play right into the hands of the Oppenheimer empire, which controls the gold sales of the two biggest gold producers in the world — the U.S.S.R. and South Africa. Nor have any answers been provided to the all-important questions as to HOW a gold-money system would operate. Would all gold-money be lent into circulation as an interest-bearing debt? Would any be issued debt-free? Would it be "spent into existence" by government, or made available to individuals?

These all-important questions apply to all money systems, whether money is made from gold, paper, plastic or in the intangible form of credit.

CHALLENGING MONOPOLY

A global empire built on the monopoly and control of money is now being edged into place, lubricated by the carnage of nations already produced in the process. Inevitably, this has produced a dazed awakening. It will mean nothing unless it profits from the lessons of the past.

What, then, have we learned? Firstly, that new political parties offer no hope, for the problem is not getting people into power, but controlling them once they are there.

Secondly, that all existing governments are already overwhelmed by the apparently irresistible force of the money power.

The only sanctions left are in the fields of voting and taxation. It is through taxation that tribute to the debt owners is exacted. The organisation of a tax resistance must be enrolled. Already barter schemes; the 'cash economy' and simple tax evasion present something of a threat to monopoly. But so far the motive has been survival sooner than calculated offensive. Much remains to be done in this field.

The retrieval of voting power lies in the enlistment of an association of voters no longer prepared to be the sacrificial lamb on the altar of parties which are themselves part of the monopoly design. One-issue politics, voters' unions, conscience voting associations and non-party electoral organisations already are an irritant that are savagely attacked by the 'establishment' wherever they raise their heads.

Above all, it should be realised that a world-government built by the money power — so nearly in place — is doomed. It is already creating disasters faster than it can control them. Its final move is already fanning a spiritual regeneration, which, by its own reckoning, should by now have been extinct.

So the game is now on. Those who aspire to world power have yet to learn that the agonies they are creating are, inevitably, the birth pains of renaissance.

The Mystique of Inflation

Worldwide inflation: what is this? A disease, like malaria, parasite-borne; or an epidemic, like influenza or typhus? Is it a physical entity, with mass and dimensions? Or a malign influence, even a person, or group?

According to politicians- briefed by certificated economists - it is "the enemy"; number one target, to be fought as top priority of Governments. The Australian Prime Minister, Mr. Malcolm Fraser, has even promised to "throttle" inflation, if only the Trades Unions will share with him restraint in demands for more money. So?

The Oxford English Dictionary: "inflation *n.* inordinate rise in prices; (formerly) inordinate increase in the supply of money regarded as the cause of such a rise". That "formerly" suggests that the 'regard' has been abandoned; but current usage rather suggests that it has been resuscitated. And current usage simply amounts to obfuscation of the real issue confronting civilisation - the catastrophic destruction of centuries of progress from the Dark Ages towards, as C.H. Douglas put it, "the emergence into the full light of a day of such splendour as we can at present only envisage dimly".

The Social Credit usage of the term inflation is: "Inflation consists in an expansion of the figures of money available accompanied by a corresponding rise in prices". With the proliferation of "modern" but conflicting official economic theories - beginning with J.M. Keynes's "pump-priming", which opened the door to the idea that elected governments should "manage" the economy - the road has led on to the current disputation concerning *methods* of management.

It amounts almost to an article of faith among professional (i.e., certificated) economists that inflation is due to "too much money chasing too few goods". The actual situation is that there is too little money chasing more than enough goods. Hence- depression and misery.

There is undoubtedly a correlation between so-called inflation, and the progressive deterioration of the economic system and the state of society. So the question arises: is "inflation" a cause, or an effect? The first step towards an answer is to define inflation in a mathematically precise form, as follows: Inflation is defined as the loss of purchasing- power of the unit of money over a unit of time. That is, to establish it as a ratio.

Now if the unit of time is, say, one month, and the purchasing-power of the unit of money is, say, $30 of price values of consumable articles of production (for example, 30 articles at $1 each) at the beginning of the month, while at the end of the month the unit is only 29 articles, the purchasing-power of the unit has fallen by 3.3%.

The thirty *articles* (or units of production) can be taken as the *productive capacity* per unit of time, and from a physical point of view may be postulated to remain constant over the month. But from the seller's point of view, one unit of the production will remain unsold

If in the second month $30 will purchase only 28 articles, the purchasing power has fallen by 6.7%, and the seller now has 3 unsold articles of production- 5% of his two-month's production. At the end of 4 months, 8.3% of his total production will be unsold. Hence - reduced production, and unemployment, as fixed costs (rent, maintenance, energy etc.) overtake profits.

The essential point to grasp is that under normal circumstances a given level of production per unit of time is at least sustained, but with increased efficiency of process is more likely to be increased, so long as demand for its products, *mediated by purchasing-power,* is sustained.

However, again under normal conditions (chiefly, absence of war or of preparation for war; or excessive *capital* expenditure - all of which generate incomes which are spent on *consumer* goods) the industrial system as a whole does not distribute sufficient purchasing power to purchase the total output of consumable goods, and over a period of time the deficiency increases, giving grounds for industrial unrest and social disorder. That this is the case is mathematically demonstrable with complete certainty*; but that is not the province of this article.

Thus "inflation" is *not* the cause, but is the consequence of the disruption of the economic process through progressive loss of consumer purchasing power. (The average household income in Australia in 1976-77 was about $1500, and assuming a 15% annual increase, would now be about $2500- an increase of 66%. Gross domestic product in 1976-77 was about $1650 per household, and would now be about $2900 - an increase of 75%. The sustained claim that inflation is the cause of our economic woes is simply the calculated promotion of a delusion. This delusion suits the purposes of politicians- steady increase in the powers of politicians. Politicians do not "fight inflation" - they pass more and more laws, which beget multiple Regulations, which progressively restrict the freedom of individuals.

And that is the Big Idea. Behind the will-to-power of the politicians is the greater will-to-power of the international money oligarchy, centuries old, and aiming at eventual total world government, appointing its own successors for all time to come. And, in Douglas's words, "they care no more for the immolation of the peoples of a continent than for the death of a sparrow". The state of the world, thirty-five years after the end of World War II (which was only an incident in a long-term plan) should be evidence enough of that The key to an understanding of this situation is that *persistence* in the operation of a defective financial system is the core of the strategy for world conquest In C.H. Douglas's words, published more than half a century ago: "We are more than ever, if possible, convinced that a falling price level without loss to producers and entrepreneurs, is the very core of social and industrial pacification. And we are equally convinced by 30 years specialised experience and observation that the coterie which is at the core of world unrest knows it too, and is determined that at whatever cost extending to the complete destruction of civilisation, and even of the terrestrial globe, it will not have that solution, which would automatically wrest power from it as nothing else would".

So the goal is world conquest with "equality" for all its serfs, regardless of colour, race or creed, as in all presently conquered Communist territories, with floods of refugees promoting that miscegenation which leads through George Orwell's *1984* to Aldous Huxley's *Brave New World,* and an end to all national cultures - save one.

*** See *The Monopoly of Credit,* 3rd or 4th Edn, by C.H. Douglas for a full analysis.**

* The Mystique of Inflation

It would, we think, be fairly obvious that the approximate figures given for average household incomes in the middle of the second column were per person.

The following books are recommended:

Social Credit-C.H. Douglas. $5.80 posted.

Economic Democracy-C.H. Douglas. $3.45 posted.

Alternative to Disaster- B. Monahan. $1.00 posted.

Inflation and Freedom-B. Monahan. $1.00 posted.

The Breakdown of the Employment System-C.H. Douglas $1.00 posted.

The BBC Speech on Social Credit- A.R. Orage. $1.00 posted.

The ABC of Social Credit-E.S. Holter. $2.00 posted.

Money - Fact and Fiction - D. Malan. 80c posted.

Natural Cost and the Ownership of Money-D. Malan. 80c posted.

Upon That Mountain-A background to the New International Economic Order. $1.45 posted.

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