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"Ye shall know the truth, and the truth shall make you free" - **John 8:31.**

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BLIND MAN'S BUDGET AND THE G.S.T.

by Jeremy Lee

We have invited well-known research authority, and author of the best selling work, *"What Will We Tell Our Children?"* Jeremy Lee, to act as our guest writer for a special issue examining in depth the implications of Treasurer Peter Costello's 1998 Federal Budget:

"The Chancellor of the Exchequer is a man whose duties make him more or less of 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, 11 April 1870.

Modern Treasurers - and the Australian Treasurer in particular - are not nearly so particular about sharing the burden of misery equally as their counterparts of a century ago. A large reason is that their measurement systems are flawed. We now have modernised measures - with cryptic initials - G.D.P., C.A.D., etc. - all lumped together under the comfortable euphemism 'fundamentals'. If our fundamentals are sound, misery is nothing but an illusion.

Peter Costello talks a lot about Australia's 'fundamentals', usually gazing over the heads of awed reporters onto distant horizons beyond the sight of mere mortals. Once the vision has been caught, apparently, one can safely ignore less tranquil signs in the foreground.

POVERTY CRISIS

Just before Christmas a number of welfare agencies reported: "The number of homeless families seeking accommodation has reached crisis point. Representatives of 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 our member agencies report a 400 per cent increase over the past six years in homeless families presenting for accommodation..." This month (June 1998) the Queensland division of ACOSS reported a 100 percent increase in demands on welfare agencies, leaving them increasingly unable to meet basic needs.

OUR POLICY

To promote service to the Christian revelation of God, loyalty to the Australian Constitutional Monarchy, and maximum cooperation between subjects of the Crown Commonwealth of Nations.

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, either described as public or private.

To encourage all 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.

In March this year the Melbourne University Press launched its report "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 percent in 1996, compared with 20.6 percent in 1973. . ."

> Geoffrey Barker, writing in *The 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 supplier. . ."

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

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

There seems to be some variance between these views and those of the Treasurer, in regard to fundamentals! If you imagine Treasurer Costello is not doing enough to share the misery around, have no fear! Imminent events, already foreshadowed by the free-falling dollar, threaten a much wider diversification in misery.

> ***" . . . 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. . ."***
>
> **Geoffrey Barker, *The Financial Review***

Government welfare, incidentally, whose rationale is to spread the burden, has failed dramatically. In fact, the greater the expenditure on welfare the greater the apparent degree of poverty. For example, total budget outlays in 1985/86 (two years after the Hawke government took office, with Paul Keating at the Treasury helm) were $70.9 billion, of which $32.6 billion or 46% was spent on health, education and welfare. In the latest budget, total outlays will be $141.6 billion, of which $87.1 billion, or 61.5%, will be spent on health, education and welfare. Poverty is increasing at roughly the same rate.

BUDGET FIGURES

What, then, actually happened in the Budget? Total direct taxation increased by 6.2 percent, from $97.2 billion to $103.2 billion. Indirect tax increased by 3.8 percent, from $31.3 billion to $32.5 billion. Total taxation (the combination of direct and indirect) increased by 5.6 percent, from $130.8 billion to $138.2 billion.

The percentage increase in taxes was twice the claimed prevailing inflation rate, and delivered the government a budget surplus, as opposed to a deficit of $10 billion inherited from Labor.

THE I.M.F. PROGRAMME

The budget surplus was the crowning glory of Mr. Costello's budget, and is a priority demand by the International Monetary Fund on all national economies it oversees. Behind this "fundamental" is a global requirement that the creation of money is forbidden to governments, kept exclusively for the private banking world.

A government that brings in a budget deficit is a government, which plans to spend more than it raises in taxes. The gap is financed by a creation of money by the central bank (in Australia's case, the Reserve Bank). The debt is then sold on the money market, and consolidated in the National debt. While in principle governments should be prevented from creating money for their own programmes it is equally true that the prerogative of creating a nation's money requirements should not be in private hands. There may well be times of national emergency when a budget deficit is a wise measure. Australia quadrupled its money supply at the outbreak of World War II, without foreign borrowing. President Roosevelt's "New Deal", used to create employment during the Depression, was carried out through the government creation of funds along lines advocated by J.M. Keynes.

Japan has recently created trillions of yen for tax cuts, in an effort to shift itself out of economic recession. Accepting IMF dictates for the parameters of national decision-making is to submit Australia to self-bondage. The International Monetary Fund has its own interests and agenda very different to those imagined by our politicians. We would do well to remember the warnings of Dr. Susan George, Director of the Transnational Institute in Amsterdam and seasoned United Nations official, in her description of the three institutions now dominating the shaping of the world - the World bank, the IMF, and GATT (now the World Trade Organisation).

She said:

> " . . . *All these institutions are centralised hierarchical, completely undemocratic and working with a lot of money contributed by their members, mostly their richer members.*

> *What do they do with that money? Well, in many ways they are helping to subjugate all the*

economies of the world . . . The World Bank is in charge of imposing this economic doctrine, the International Monetary Fund is in charge of imposing structural adjustment, in other words, austerity programmes in the Third World, and GATT is involved with reducing not only barriers to trade, but any standards - environmental, health standards, high wages - that could be considered impediments to trade.

I feel very much that the undemocratic nature of these institutions will mean that a whole new world order is put into place and that it is an antidemocratic, authoritarian order run by the elites of the rich world on their own behalf... " This was well before IMF involvement in the Asian crisis, which has done much to worsen the situation. A number of commentators have pointed out that the conditions placed by the IMF on Asian economies have escalated the crisis in an effort to safeguard international tenders from risk, at the same time opening Asian economies to foreign ownership and domination.

SELLING THE FARM

Mr. Costello has also commenced a programme of debt-reduction for the Commonwealth government, aimed at a debt-free situation after the turn of the century. This has been achieved by the simple procedure of selling utilities and assets.

> *". . . I feel very much that the undemocratic nature of these institutions will mean that a whole new world order is put into place and that it is an anti-democratic, authoritarian order run by the elites of the rich world on their own behalf . . ."*
>
> **Susan George,**
> **Director of the Transnational Institute, Amsterdam.**

With a foreign investment portfolio in Australia (1996/97) of $481.9 billion, there are no signs of a slowing of the sell-off. *The Australian Financial Review* of January 27 this year reported: "An expected $80 billion of privatisation projects in Australia should be strongly supported by foreign investors over the remainder of the decade thanks to a lower Australian dollar and continuing turmoil in Asia, a new report has found. The report, by investment bank J.P. Morgan, found that Australia ranked second in the world in 1997 for privatisation activity, boasting projects valued at almost $15 billion and beaten only by Brazil. The J.P. Morgan figures did not include the $14.3 billion sale of one-third of Telstra by the Federal Government during the year . . .. The Telstra sale was classified as an equity raising rather than as a privatisation.... Australia was expected to be among the top ranking countries - if not the top country- for privatisation for the rest of the decade . . . 'the depreciation of the Australian dollar, and the fact that these companies may have had things they were looking at in Asia which may not be as attractive to them now, may increase the attraction of projects in Australia' . . . J.P. Morgan report said that some $62 billion had been raised through privatisation by governments so far in the 1990s - three quarters of this amount by State governments - and that another $80 billion at least would be raised over the next three years, again excluding any additional sell-down of Telstra. ..."

WHO PAYS AND HOW MUCH?

The Commonwealth now takes, in direct and indirect taxation, an average $7,660 from each Australian - over $30,660 for a mother, father and two children. By the time the States and Local Governments have had their share, the average has climbed to well over $9,000 per head. While politicians like to delude themselves that it is possible to "tax the rich to help the poor", the truth is that all taxes are inflationary and end up as a component of the prices of goods and services. Any re-allocation governments assume to have been made are simply re-arranged by the market away from the weak back to the strong. The result widens, rather than narrows, the gap between rich and poor.

The multinationals, however, are strong enough to avoid tax altogether. On January 14 this year, Queensland's *Courier Mail* reported: "Almost 100 multinational companies, each making more than $300 million a year in Australia, paid no tax in 1996. Tax office documents also reveal almost 40 large multinational companies did not pay any tax over three years - 1994, 1995, and 1996. The documents show that in 1996 about 55 percent of multinationals or companies with 'offshore-related party transactions' did not pay any tax... '

By April 3 *The Australian Financial Review* was reporting:

"The Australian Taxation Office is set for an audit crackdown on thousands of multinational companies after new internal statistics revealed more than half of Down-Under based companies with overseas links paid no tax in 1995-96. The ATO figures . . . also showed that more than 15 percent of multinationals said they had no documentation to support the profit-shifting or "transfer pricing" arrangements used to minimise tax."

Within six weeks the figures had climbed. *The Australian Financial Review,* over the weekend of May 30/31, told its readers:

"The Australian Taxation Office is cracking down on companies that manufacture losses in an attempt to boost revenue from the corporate sector, where 60 of the companies do not pay tax and 22 per cent do not lodge returns . . .. "

ALARM BELLS

The free-fall of the dollar is simply the beginning of the reality now facing Australia. The future looks grim indeed. All the hyperbole from Prime Minister Howard and Treasurer Costello about Australia being 'fire-proofed' against the Asian contamination will count for nothing. The most orthodox of economists are beginning to see what is likely to happen. Alan Kohler, writing in *The Australian Financial Review* on June 9 commented:

"Australia's business sector is entering a very dangerous time . . .. The speculative raid by hedge funds on the Australian dollar during the past week, crowned by its fall through $US60 cents yesterday, has raised the near certainty of higher capital costs and a recession in 1999, rather than the mild downturn that might have been expected . . .. Amazingly, what with the prospect of higher interest rates, difficulties with tax reform and embarrassment over its role in planning waterfront reform, it seems that the Coalition Government is determined to last only one term . . . the only difference between 1998 and the period from 1990 to 1993 is that it is all packed into one year instead of three, and the recession will happen after the election instead of before it . . ."

Even Alan Kohler's more realistic assessment contains elements of fantasy. For a large number - the one-third of Australians living in poverty, to start with - the recession is already here. For primary producers hooked into Asian markets, or coal and steel producers selling into Asia, depression has already hit. Genuinely Australian small businesses have an enormously high attrition rate. Wage earners live now with the ever-widening shadow of 'down-sizing' hanging over them. Those who have railed against the Waterfront workers for using their muscle in an attempt to retain their jobs should consider that Australia has been deliberately shedding workers and exporting their jobs for some time. The hundreds of thousands displaced by banks, the public service, communication and transport industries, mining and electricity corporations have finally run out of any faith in the oft-repeated and puerile claims by government spokesmen that, in the long-term, such moves will create jobs. The pork industry, where 37,000 producers have been eliminated by a mass of Canadian and Scandinavian imports under "free trade" policies know full well the results have not brought home the bacon. The obvious revolt of the long-term party faithful in the Queensland election indicates complete disbelief in the globalistic ideas of Tim Fischer and John Anderson.

Yet the federal Coalition seems determined to persist with what are quite obviously suicidal policies. The foreign debt is completely out of control, each quarter delivering another record Current Account Deficit. Even allowing for the rubbery definition of our Gross Domestic Product (GDP) the evidence is frightening:

	1985-86 (Hawke-Keating)	1997-98 (Howard-Costello)
Net External Debt (% to GDP)	32	43
Net External Liabilities (% to GDP)	40	62

Because much of our external debt is denominated in foreign currencies, the declining exchange rate of the dollar of itself increases the foreign debt. Any further decline in terms of trade, as must occur with the crisis in Asian markets, the drastic position in Japan and the imminent crisis in China will put our Foreign Debt in a position of total impossibility.

Before the recent 10 percent fall in the value of the dollar, *The Australian Financial Review,* on April 20 reported the latest findings of Canberra-based Access Economics:

"The surge in the balance of payments deficit and the weaker Australian dollar is also expected to fuel Australia's foreign debt, with Access tipping the politically sensitive net foreign debt to rise from $328 billion this financial year to $474 billion by the year 2001-2, up 45 percent . . ."

If correct, what a present for our children - a per capita foreign debt of $23,000 as we enter the 21st century!

TAX REFORM

As if this were not enough, Australians are about to be engulfed once again in a tax debate to accompany the imminent federal election. It is not sufficient that the electorate overwhelmingly rejected the G.S.T. in 1993, giving the Keating government a completely undeserved victory. Nor is it enough that John Howard swore that a G.S.T. would "never, ever" be on the agenda.

None of the essential tax issues will be discussed; for instance, what are the limits to taxation, or how to re-introduce the time-honoured idea of taxation by consent. No attention is being given to what is now an open sore - the establishment of a financial and tax system that will fairly serve the three tiers of government in a federal system without the open division that plays into the hands of the centralists. The spectre of State Premiers walking en masse out of a Canberra Premiers' Conference over the emergency of a health system in deep crisis could with justification be repeated in a dozen areas with similar symptoms. We are only just beginning to realise what years of under-funding of Australia's defence system could mean in a period of crisis in the region potentially just as dangerous as anything we have had to face in the past.

The G.S.T. is an international idea openly sponsored and enforced by the International Monetary Fund. This was made clear in 1993 when John Hewson foundered on the rocks of rejection, and been trumpeted again in the lead up to the coming election.

In early June 1996, 100 top world financiers met in Sydney to discuss their policies for Australia's future.

The Financial Review, November 11, 1991 reported:

"The International Monetary Fund has strongly endorsed goods and services taxes, providing the Federal Opposition with heavyweight economic support and timely advice on the eve of the release of its long-awaited tax package. According to a new IMF study, the attractiveness of the GST comes down to three main reasons: revenue potential, neutrality and efficiency . . . The IMF has virtually produced a "how-to" book for the Opposition leader Dr. Hewson, and the Shadow-Treasurer, Mr. Reith, explaining how to sell the G.S.T. to the public, placate noisy lobby groups, deflect the political blow-torch . . . and get the new system up and running... A G.S.T. or value-added tax is simply a consumption tax, usually a flat rate tax on all goods and services . . ."

Open support from the IMF for a new tax proved a double-edged sword - like Malcolm Fraser telling Queenslanders not to vote for Pauline Hanson!

As 1997 approached the IMF was once again urging "tax reform" on Australia - saying what was needed was a change from taxes on capital and income to taxes on sales. Apparently the IMF neither knew nor cared about the views of ordinary Australians on the matter.

The Howard government, we have been told, has asked for tenders from P.R. firms to "sell" the G.S.T. this time. How will the successful tenderer be paid? From tax revenue?

We should note that, in the collapsing region round us, the following countries already have a Goods and Services Tax - Indonesia, Korea, the Philippines, Japan and New Zealand. It has done nothing to solve their problems.

It is designed to favour the big fish - and particularly international fish - over the small fry. Cost of compliance is the killer. For a large corporation processing GST on a million items, paperwork compliance is no more than a small business processing 100 items. The tax simply means hours of extra work for the small operator. But for the tax-gatherer it means the perfect system - a self-operating tax system, where the taxpayer becomes an unpaid assessor and collector on every transaction of every kind.

If the rapidly-developing minor parties, now a real factor in Australia, come out in direct opposition to the G.S.T. alongside the Labor Party, the future of the Howard/Costello government looks even shakier than it is already. Dying parties have nothing to live on but past memories. Their voluntary field workers desert them, finally realising the have been taken for granted for too long. The best P.R. firm cannot make up for disenchantment of the party faithful. It is this situation the Coalition faces. Only a drastic change of direction can win back the faithful; and even that takes time. Unless faced up to, the present plight of the National Party will be the lot of the Liberals. Although the electorate does not see the A.L.P. as a genuine alternative, it can hardly fail to benefit to some extent by default.

WHERE'S THE LEADERSHIP?

More than anything, a leadership is now required prepared to admit mistakes and offer a change of direction. The repetition of the notion that we are on the right track despite the evidence to the contrary has goaded the electorate past endurance.

Realistic leadership would make the following admissions:

* That over the past quarter-of-a-century Australia has been enticed onto a path, which required the abandonment of a number of previously sacrosanct principles. This has been done, in former Prime Minister Keating's words "... in order to integrate Australia economically with the rest of the world..."

* That this policy has been adopted by both major parties, which now have only the most superficial differences. The Australian people were not consulted about these changes.

* That 25 years is enough to show that the promised benefits have not, and will not, materialise.

* That the time has come to return to policies which put Australia first, protecting domestic industries and jobs; putting the home market before exports, rebuilding self-sufficiency and reducing taxes and the level of debt in both the public and private sectors.

* That this can be done without isolating Australia from the rest of the world, into some version of a 'fortress Australia'.

POLICIES TO REGENERATE AUSTRALIA

In early June 1996, 100 top world financiers met in Sydney to discuss their policies for Australia's future. Peter Hartcher, writing in the Financial Review on June 7, 1996, described their meeting:

"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 not 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 modem 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 checklist of policies.

> ***. . . Australia financed the Second World War without foreign borrowing.***

Most explicit was the chairman of the big US investment bank Goldman Sachs & Co., Mr. John Corzine, 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..."

Peter Hartcher described the two rules outlined by the chairman of the giant Goldman Sachs:

"Rule Number One: 'There is no substitute for consistent, disciplined, fiscal and monetary policies ... We should not lose sight of the fact for individual countries, chronic current account deficits are a symptom of a structural imbalance taking the form of over-consumption and under-savings'. Rule Number Two: 'Commitment to privatisation, subsidy reduction, progressive tax policies, reduced public payrolls, pension reform ... will solidify credit-worthiness, enhance competitiveness, and send welcome signals to investors'..." If Australia is going to continue in the misguided belief that only capital and investment inflow from overseas will allow us to survive, then we are at the mercy of such overseas investors.

In other words, unless Australia is to re-assert control over its own credit mechanisms so that we can release the nation's credit into some alternative policies, we have no hope for change.

As mentioned earlier, Australia financed the Second World War without foreign borrowing. There was a massive increase in both cash and credit - the volume of money.

A Budget aimed at countering the crisis within and round Australia should have used a release of national credit to give Australians tax and cost relief. That relief should be aimed at regenerating Australian-owned businesses, farms and jobs.

IMPORT REPLACEMENT AND COST RELIEF

While trade should be encouraged, any continuation of the idea that we should continue allowing imports to outstrip exports through an endless increase in the foreign debt must be halted in its tracks. Tariffs and quotas should be re-introduced until we are at least paying our way, reversing the perennial Current-Account-Deficit.

As an emergency first measure while broader policies are developed, the Reserve Bank should be instructed to release a sum of $50 billion to Consolidated Revenue, to be accounted for in a special 'non-performing' crisis account. This should be applied to the immediate elimination of two taxes - Sales Tax and Payroll Tax. While this may sound a considerable sum, it should be put in context by the fact that $52 billion has just been wiped off the value of Australia's Stock Market in six weeks.

Mr. Costello has budgeted for a Sales Tax impost of $15.1 billion. Every cent of this is tacked directly onto the price-structure. It should be eliminated.

The States between them collect about $10 billion in Payroll Tax - a crippling inhibitor to employment. This, too, should be eliminated and the States compensated without strings.

Company tax will raise just under $20 billion - mostly paid by smaller, Australian companies. As seen, the multinationals will hide their profits overseas through transfer pricing. A reduction in Company Tax of $10 billion, available to Australian-owned companies only, would do something to reverse the present discrimination. With an immediate reduction in direct costs of $35 billion, Australian-owned enterprises would be placed in a far better position to withstand the unfolding crisis and compete with the flood of dumped imports we are borrowing to pay for.

We have accounted for about $35 billion of the $50 billion emergency release of national credit.

The 1998 Yearbook tells us we had 6,858 households in Australia in 1995/96. The current figure is probably close to 7,500. The remaining $15 billion should be distributed directly to each household in the form of a one-off emergency grant - a per household sum of $2,000. THERE SHOULD BE NO MEANS-TEST, but the grant should be defined as taxable income. Those with viable incomes would thus return part to government, while those with inadequate incomes would retain the full value.

The above measures are by no means comprehensive. But they would provide a breathing space in which more comprehensive and longer-term policies could be set in place.

LONG-TERM PROGRAMME

The idea that Australia can continue into the future supply on the terms of foreign investors, the money market, continual borrowing and the haphazard policy of privatised money creation must be challenged.

Treasury should be charged, as an urgent priority, with the task of producing a properly audited and scrutinised National balance Sheet, as every commercial operation is required to do. Every aspect of a Balance Sheet should be included - Assets and Liabilities, Profit and Loss, Capital Appreciation and Depreciation, Trading Position, Stocks On Hand, etc. It should be available as a matter of right to all adult Australians.

> *"... It is not true that 'Governments have to borrow' when they run a deficit ...."*
> The late John Hotson, Professor of Economics Waterloo University, Canada

This should provide a much more reliable basis for future policy directions than the "vote-catching' bread-and-butter bribery that is the feature of modern elections. The question of crediting, rather than debiting, required money creation to the nation, as is the practice at the moment, should be openly discussed. It should be politely but firmly made clear to international lenders that they are not required to decide Australia's policies. We have a perfectly adequate constitutional process for that purpose.

The destructive policy of using fluctuating interest rates as a tool to 'manage' the economy should be eliminated. All borrowers should have the assurance that their loan charges are fixed, and can be budgeted on. The dispossession and destruction of families by arbitrary interest increases must be stopped. The situation in the early nineties, when interest rates passed the 30 percent mark, should be the subject of criminal proceedings.

It is now quite clear that the task of 'job-creation' is beyond the wit of modern governments. Technological change has meant that, even in boom-times, job shedding goes on.

At the present time the age for pension-eligibility for women in Australia is being raised from 60 to 65. Instead, that of men should be reduced to that of 60. The further progressive reduction of retirement age for both sexes should be introduced.

The capabilities of Australia's Defence forces should now be increased to a degree of potency capable of defending the country and ensuring proper surveillance of our northern coastline. The idea that young Australians should be required to give some service, as is the case in Israel and Switzerland - both far smaller nations than Australia - seems constructive. The re-introduction of national service, or an equivalent community service, as a prelude to entitlement to social benefits, would do much to remove the hopelessness of today's youth, and, in addition, assist the employment position. The combining of this service requirement with an enhancement of technical apprenticeships would serve Australia well.

Local Government is in a critical position. With a backlog of essential maintenance on infrastructure - roads, pavements, water and sewerage etc - with an estimated cost of $134 billion, there is currently no provision for these needs to be addressed. Instead, Local Government has become a bone of contention between the Commonwealth, which constitutionally has no jurisdiction in this area, and the States, themselves starved for funds. The intelligent application of national credit to reviving small, viable, autonomous local authorities, answerable to the people rather than central direction and social engineering, could be done if we wanted to do it.

TWO-INCOME FAMILIES

There is mounting evidence that many two-income families - not all - would revert to single-income status if this were sufficient to meet family needs, including home ownership. What seems an impossible dream in the Australia of 1998 was the reality of Australia half a century ago.

Cost reductions with income enhancement could make the single-income family viable again. It would reduce much of the social disintegration in Australia.

But it cannot be done without changes to financial policy. Running a nation solely on the debt system must, over the period of time, erode both natural and technological advances. The latter, in real terms, should make life easier and more relaxed.

The rebuilding of the viable, single-income family would open up a big range of job opportunities for unemployed youth. In addition, it would provide a much more secure home environment for children.

The suggestion that different money policies could open these seemingly - impossible options is usually dismissed by politicians that 'printing money' is not a responsible option, and comes under the heading of "funny money" which is the province of cranks.

The argument is less and less convincing. For one thing, it fails to acknowledge that "printing money" is going on the whole time. An examination of Australia's monetary aggregates shows that the volume of money increases month by month, with an average annual increase of about $35 billion. All this is loaned to Australia and costed into the price structure somewhere.

Could it be done a different way?

Historical examples in Australia show genuine alternatives, which merit examination.

The late John Hotson, Professor of Economics at Canada's Waterloo University, offered the following argument in the Canadian context to a government as short-sighted or intimidated as Australia's:

"... It is not true that "Governments have to borrow" when they run a deficit. Any sovereign government can create money itself rather than allow private banks to create money and lend it at interest. Even before the Bank of Canada came into existence in 1935, half the currency and all the coins were produced by the Dominion government and spent or lent into circulation. In those days the chartered banks borrowed from the government rather than vice versa. The Canadian money supply has been growing about $30 billion a year in recent years - or about the same amount as the federal deficit... If the government - through the Department of Finance, or through the Bank of Canada, which is under the Department of Finance - created all the money supply added each year, it would not need to add to its debts to pay interest on old debts.

Those who are inclined to dismiss the proposal that the government create more of the money supply as "inflationary" should be required to explain the economic model by which they reach the conclusion that it is more inflationary for the government's bank to create, say $15 billion and the private banks $15 billion, than for the government's bank to create $0.7 billion and the private banks $29.3 billion..."

REVOLT AGAINST ESTABLISHMENT

The obvious Australia-wide revolt against traditional party politics under management by a money establishment is opening up the possibility of open discussion of a hitherto closed subject. We have been allowed to discuss the symptoms of distress 'ad nauseum'. But the starting point - how a nation creates its money requirements in the first place, and how and on what terms it is circulated, has been forbidden territory. That is about to change. If the debate is constructive, it should lead to a range of constructive possibilities hitherto off-limits.

Herein lies the chance for an Australian renaissance, long overdue. There is no reason why it can't be done. In September 1995 the World Bank designated Australia the "richest per capita nation in the world" - a long way ahead of the 191 other nations also surveyed at the time. In terms of natural resources there is far more than enough for everyone. It is being mortgaged by those who would like to run the country instead of Australians. Sadly, it has almost been completed with the compliance of the Australian government. As a result, a period of convulsion is on us. With faith and knowledge this can be turned into regeneration. But the time-span in which a change of direction is possible may not be very long.

STOP PRESS: The only surprising feature of the Queensland elections was the extent of the electoral backlash against the major political parties. We had correctly predicted the backlash, but not its extent. The strong vote for Independent Wellington against one of the better National Party Members, speaker in the last Parliament Neil Turner, is a measure of the depth of anti-National Party feeling.

The Howard Coalition Government at Canberra has been put on notice. But John Howard's reaction, both on the eve of the Queensland election and afterwards, is most revealing, and confirms what we have been saying for some time. The battle for Australia is one of nationalism versus internationalism. In an interview with *The Weekend Australian* of June 13th- 14th, John Howard says that in the "global economy" Australia has no alternative but to pursue the policies it is imposing. John Howard condescendingly says that he sympathises with those Australians who are finding it difficult to adapt to changing conditions. But there is no alternative, says a man who is under orders to pursue policies which must lead to his own political defeat.

The future of Australia now depends upon whether Australian nationalists can successfully mobilise nationalist sentiment behind constructive policies. Events have proved the League correct and the role of the League is going to be most vital in the next phase of the battle for the future of Australia.

In our next issue we will analyse the Queensland political revolt in depth.

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