



ON TARGET

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The price of Freedom is eternal vigilance—

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"No man can serve two masters. For either he will hate the one, and love the other, or he will sustain the one, and despise the other".
-- Matthew 6 : 24.

AUSTRALIA'S ECONOMY DELICATELY BALANCED. "A new economic policy, swinging from restraint to expansion, was announced by the Treasurer, Mr. Snedden, last night".

-- The Sun, Melbourne, November 12th.

As we warned at the time of the bringing down of the 1971 Federal Budget, the economic ills of Australia continue to grow. The maladies of inflation and unemployment are worsening. The unemployment rate eased in October, nevertheless the signs are that this ease will be short-lived. Among other factors, the flood of school-leavers, which will sweep onto the labour market by January 1972, will almost certainly be an embarrassment to the Government. The B.H.P. is further reducing its output of some types of steel products, and there is evidence that the effects of the rural depression are now beginning to be felt in the cities : these effects will "bite" further with the passage of time. Already hundreds of tradesmen have lost their jobs from industries which manufacture for primary industry. It is only a matter of weeks since the politicians were complaining of "excessive demand" in the economy - this demand has dissipated pretty quickly, for now, the Prime Minister says that the Government's amended economic measures are designed to discourage saving and to encourage spending. All in a matter of weeks! It is obvious to us that our economic "experts" are groping, they are more or less hoping for the best from week to week. This is confirmed by recent public utterances on modern economics (Keynesian) by no less authorities than Professor A. Walters, Cassell professor of Economics at the London School of Economics, and also Professor Ian Bowen, Professor of Economics at the University of Western Australia (see this issue).

The Australian, of November 16th, carries the news that overseas investment is pouring into Australia still, and that Australia's international reserves topped \$2,626 Million last month. It is expected that the figure will climb to over \$3,000 Million by February, 1972. The report commented that an air of mystery hangs over much of the heavy capital inflow, even to officials of the Reserve Bank. Prominent Queensland economist, Mr. H.W. Herbert, describes the inflow of overseas capital as the Trojan Horse of Australia's economy. In an article in The Sunday Mail (7.11.71) Mr. Herbert takes the Treasurer, Mr. Snedden, to task over his statement that - "We cannot generate enough capital investment from our own resources". Mr. Snedden, only a few days beforehand complained that savings were increasing too rapidly : Mr. Herbert makes the telling point that should not the Treasurer be devising a way of applying these savings towards retaining the ownership of prime

Australian resources. Mr. Herbert asks - "If Mr. Snedden doesn't think Australia can generate enough capital to develop its resources, how does he imagine the Germans and the Japanese have built their huge industrial plants, and meanwhile had enough capital over to invest elsewhere?" Under the orthodox rules of finance-economics, which are slowly but surely coming into disrepute, a high level of overseas funds becomes an embarrassment. The Australian (16.11.71) comments that if the capital inflow continues then Australia could be forced either to revalue the dollar, or make a further reduction in interest rates. Mr. Herbert's comment is along parallel lines. He says - "It (capital) is embarrassing because bank advances to Australian businesses have to be correspondingly restrained. And embarrassing because the sheer size of our overseas funds is forcing up the exchange value of the Australian dollar, to the detriment of our export industries, already pressed by high costs".

What this means in simple English is that the volume of "free" money now pouring into Australia from overseas is creating a dangerous "demand" situation in the economy (according to orthodox finance-economics) which then will necessitate deflationary measures within Australia, such as the restriction of overdraft facilities to business and industry, with the ensuing unemployment; this is happening now. Mr. Herbert disclosed in a previous article ("The Courier-Mail", Qld, May 9th, 1971) that in excess of 70% of foreign exchange furnished by capital inflow is now used up paying overseas dividends and interest, and the percentage is increasing. The result of the capital inflow can be either the acquisition of Australian assets, or the withdrawal of this money, plus profit, or a combination of both. Mr. Herbert is adamant that Mr. Snedden must call an immediate stop to this embarrassing capital inflow - "This man is less and less impressive as Treasurer - first his cost-lifting, growth-slowing Budget; now this foreign capital flood".

A further reduction in interest rates would make the Australian dollar market less attractive to overseas investment, and this would slow the rate of capital inflow, and the revaluation of the Australian dollar (upwards) by forcing up its exchange value, would have a similar effect; but as stated previously, would make our exports that much dearer, and so hit our industries. This is the Mad Hatter's Tea Party that is modern economics, against which even some of the forceful thinkers among the orthodox are beginning to inveigh.

Meanwhile there are all sorts of strange reports, and ominous rumblings coming from the halls of International Finance. Murray Borowitz in the "Banking Journal", (Feb. 1971) writes - "In October of 1970, President Nixon signed a law requiring every citizen of the United States to report each transfer over \$5,000 in or out of the U.S.A. Also, all foreign bank accounts of U.S. citizens will have to be reported under oath on the April 1971 Income Tax form".

There are the reports of the new currency which the U.S. Treasury has printed (ON TARGET Vol. 7 No. 31), and there are the remarks made by M. Gilbert de Botton, general manager of the Rothschild Bank of Zurich, (Barron's-New York, March 15, 1971) to the effect that the Swiss bank "feels obliged, at no small cost, to cover, in the foreign exchange market, our long positions on the dollar". How long this is to go on, no-one can say, but when it stops "the monetary edifice will burn down". M. de Botton said that this is the last thing "we" want.

RED CHINESE PROMOTE PRODUCTION OF DRUGS: "In the seventh instalment of a book in the London Sunday Telegraph by Mohammed Heikal, a friend and confidante of the late Egyptian President (President Nasser) Mr. Chou is quoted as saying U.S. troops in Vietnam were an insurance policy. The troops would be beaten by drugs, Mr. Chou said". -- The Australian, October 25th, 1971.

The above report was prefaced by the statement that Mr. Chou En-lai, Red Chinese Prime Minister, told President Nasser in 1965 that Peking wanted the U.S. to send more troops to Vietnam.

"When he (President Nasser) and Mr. Chou dined together in Alexandria on June 23rd, Mr. Chou said that he did not want Johnson to withdraw any American soldiers. On the contrary he wanted the United States to send more and more of its young men to Vietnam", Mr. Heikal said. The Chinese were planting "the best kinds of opium especially for the American soldiers in Vietnam". Chou En-lai recalled the opium war and said they would use the same tactics against the Americans. "We want them to have a big army in Vietnam which will be hostage to us and we want to demoralise them".

AUSTRALIAN LEAGUE OF RIGHTS' 1972 FINANCIAL APPEAL
OFF TO SLOW START.

As we go to press the total of moneys donated and pledged to the 1972 Financial Appeal has reached \$6,569-00. The demands upon the resources of the League have never been greater, so please send your contributions NOW to Box 1052J, G.P.O., MELBOURNE, 3001. All Northern N.S.W. and Queensland contributions should be sent to Box 17, ALDERLEY, Queensland, 4051.

LIBERALS HEADING FOR THE HIGH JUMP? John Murphy in the Melbourne Sun, November 15th, facetiously records the efforts of Federal Treasurer, Mr. Snedden, at a Liberal Party social event to jump over a rope, and suggests it has nothing to do with the possibility of the government going for the political high jump which could end in destruction.

Judging by the pathetic response to many demands for lowering the interest rate by bringing down interest on government loans from 7% to 6.7%. Mr. Snedden's reading of the public pulse is quite unrealistic and will result in a greater degree of cynicism rather than applause.

It is evident that the Labour opposition is gearing itself to make a major issue of interest rates. Last month Mr. Whitlam said lowering interest rates would be one of the major methods used to tackle inflation. Mr. Uren, shadow Housing Minister, says the Labor Party would reduce loans on housing by 2 per cent, which would save the average young couple \$356 in the first year and over \$4,000 on a 25 year loan. He rightly pointed out that the drop in home building was caused by the inability of an increasing number of potential home builders being unable to meet high repayments caused by high interest rates.

The continued manipulation of the interest rate by doctrinaire economists in The Treasury and Reserve Bank is one of the major factors working against realistic financial policies. It is time that loans for the expansion of capital works were made available for the cost of administration, these to be set after a full scale enquiry into the true cost of administration, and not open to change unless a further public enquiry makes such a thing justifiable.

KEYNESIAN ECONOMICS ATTACKED : Following the Monash Economics Lecture given in 1971 by Professor A.A. Walters, Cassells professor of Economics at the London School of Economics, we have

to hand a report taken from the Shann Memorial Lecture by Professor Ian Bowen, Professor of Economics at the University of Western Australia. The Sunday Australian, October 2nd, carried excerpts of the lecture given by Professor Bowen in the previous week.

"Economic changes in the capitalist world over the past two years have been profound and very disturbing. First, the goal of full employment has been tacitly abandoned in the United States and the United Kingdom, and perhaps it will be quite soon in Australia".

Professor Bowen pointed to inflation as the cause of increased bitterness and friction in the community and said that individual industries were becoming the helpless victims of short-sighted government policies. He specifically cited the West Australian building industry. He went on to comment. "If these devastating and disturbing changes can indeed be attributed to inflation, and inflation to an unthinking application of Keynesian economics, then bad economics have much to answer for".

RURAL REVOLT AGAINST FEDERAL GOVERNMENT GROWS : "A motion expressing dissatisfaction with the Country Party's policy of coalition government, and asking it to consider leaving the coalition in both State and Federal spheres, unless it can take a firmer stand in bringing the matter of cost inflation to a higher level of government recognition, was carried at a meeting of the Uralla branch of the Graziers' Association on Saturday morning". - The Armidale Express, N.S.W. Nov. 8.

The report from which the above is quoted was featured on the front page of The Armidale Express. The motion criticising the performance of the Country Party was moved by Mr. P. Wright, a member of one of New England's oldest and best known grazing families. Mr. Wright said that it was "a sorry day when any rural person has to stand up in public and move a resolution such as this.. .. We rural people have for five, six, or seven years been bringing to the notice of Government leaders - who comprise members of the Country Party - the dangers of cost inflation in a country such as Australia....." Mr. Wright and other speakers had some most pertinent comments to make concerning the failure of the Country Party, in particular, to give a positive lead in attacking inflation. A few years ago such a resolution, as that moved by New England graziers, would have been unthinkable. But this resolution is but further striking evidence of the mounting rural revolt against the inflationary policies of the Federal Government.

The New England Federal Electorate is at present represented (?) by the Hon. Ian Sinclair, the present Minister for Primary Industry. Mr. Sinclair's performance is resulting in increasing numbers of electors in what should naturally be a safe Country Party electorate turning against him. The recently formed New England Electors' Association has made a vigorous start. On his way through to a special program in Western Queensland, the National Director of the League of Rights, Mr. Eric Butler, was invited to stop off in New England to meet and to advise members of the New England Electors' Association. His suggestions were enthusiastically received. In a door-to-door canvass, members of the New England Electors' Association plan to obtain a big increase in membership, the aim being a minimum of 1,000. Mr. Sinclair's political future is beginning to look rather insecure! But he could, of course, take careful notice of what his electors want, and press for it at Canberra; even if this brings him into conflict with the "experts" dictating present disastrous finance-economic policies.

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