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*The price of Freedom is eternal vigilance—*

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Thought for the Week: "The welfare state is a protection against failure and exploitation, but a national recovery can take place only if innovators, and men of enterprise and hard work, can prosper. Innovation, risk and enterprise are incompatible with complete stability and security. The successful technological innovators must become heroes again."

- Prince Philip in foreword to the 120th anniversary issue of the magazine "Engineer".

THE BRITISH CRISIS: While we have no doubt that the British situation has been exaggerated, primarily for the purpose of conditioning the British people to accept further doses of totalitarianism, nevertheless it highlights the type of crisis now confronting all industrialised nations. The British pioneered the industrial revolution, producing large numbers of the "technological innovators" mentioned by Prince Philip in his latest controversial statement. The central purpose of these "technological innovators" has always been to reduce the amount of human energy required for production. They have been outstandingly successful. Even under the Welfare State in the United Kingdom, the production system can produce sufficient for the British people and to pay for necessary imports. The basic problem is financial - escalating debt, crushing taxation and continuing inflation. Financial policy is creating a developing crisis which is used to justify more Socialism, ultimately leading to the complete Marxist State.

But the British merely lead the quickening march of all the industrialised nations towards Marxism. And these nations are increasingly coming into conflict with one another, as witnessed by the recent complaint by the European Economic Commission that the Japanese are adopting a policy of increasing cut-price dumping in Western Europe. The Japanese are attempting to overcome their internal finance-economic crisis by intensified exporting. Other industrialised nations are doing likewise.

The Marxist view is that the "capitalist" system is now in the final stages of disintegration. But the free-enterprise system has been one long success story viewed as a production system. Data provided by the Technocracy Group in the U.S.A. shows that in the seventy-one years

from 1880 to 1951 physical production increased by 1250 per cent in the U.S.A. Over the same period man hours per unit of production decreased by about 85 per cent. Figures for the twenty-six years since 1951 would reveal an even more dramatic increase in production. What then are thinking Australians to make of the Fraser Government's latest contribution towards solving the finance-economic crisis: the creation of a Productivity Department, which will inevitably mean still more bureaucracy. At the same time that this Productivity Department is being established, B.H.P. has announced a further retrenchment in its steel production, with an estimated 1000 workers to join the ranks of the unemployed. Those operating the production system in Australia are highly qualified and have no problems which another Government Department can solve.

The basic problem to be corrected is financial. What Prince Philip should be calling for are some financial innovators, those prepared to challenge the underlying concepts of discredited Keynesian economics which lead inevitably to one disaster after another.

PRESSURE GROWS FOR TAX CUTS: Mr. Tom Luxton, managing director of McEwans, Australia's largest hardware retailer, has added his voice to the increasing number of Australians calling for a reduction in Sales Tax as an essential step towards reversing inflation. Paul Ormonde, writing in "The Herald", Melbourne, of November 9th, says that Mr. Luxton calls for a "significant cut in income tax" and "Heavy sales tax cuts ('an iniquitous tax', he calls it) to give a quick stimulus to the economy." Gaining increasing support among his parliamentary colleagues, Mr. W.C. Wentworth, veteran Liberal Member, asked in Parliament on November 9th, if there were not more effective ways of fighting inflation than the "negative policy of restriction." "What about cutting taxes and charges in order to reduce price increases", he asked. Even former Prime Minister and Treasurer W. McMahon has openly joined the ranks of those urging a cut in Sales Tax as an essential anti-inflation policy. The fact that Mr. R. Hawke and Opposition leader Whitlam are also strongly urging Sales Tax reductions means that Labor leaders, now scenting the possibility of a major Labor electoral revival as a result of the Fraser Government's failures, realise that an anti-Sales Tax policy is good politics. Premier J. Bjelke-Petersen, the pioneer of the anti-Sales Tax policy must be given much of the credit for the growing support for this policy. We trust that he can stay in politics long enough to see the major aspects of the "Petersen Plan" implemented: a drastic reduction, if not complete abolition of Sales Tax and the introduction of a system of Consumer Price Discounts in lieu of inflationary wage increases.

WHEN WILL MR. FRASER LEARN?: Addressing the Hobart Press Club on October 27th, Prime Minister Fraser asserted once again that the fight against inflation was being won. "That fight is still a long way from being over, but we can take heart from the signs which are now emerging. The gains that have been made have been hard won and we must not throw them away." Mr. Fraser reminds us of the small boy whistling in the dark in an endeavour to sustain his courage. Anyone with the most elementary knowledge of the mechanics of the present rules knows that it is arithmetically impossible to reverse inflation constructively while those rules are maintained. The latest report issued by the Institute of Applied Economic and Social Research at Melbourne University warns that the Consumer Price Index for the December quarter could be as high as 5 per cent with a further stimulus to inflation in 1977. The Institute warns that "Present Government policies could easily lead to a breakdown of the wage indexation system and a return to some form of collective bargaining over wage rates." The Institute stresses once again that cuts in both direct and indirect taxation are essential for reversing inflation.

As we have observed previously, any marginal reduction achieved in the inflation rate by the Fraser Government has been at the expense of primary producers and the business sector. Profit margins have been cut, many goods have been reduced in price by discount selling, while the effective purchasing power of wages has been reduced. There have been no gains over the past twelve months, only losses and a stoking of the revolutionary forces.

BRIEF COMMENTS: Prime Minister Ian Smith of Rhodesia has to date taken all the points at the Geneva Conference. The more people around the world who see the African "nationalist leaders" in action on their T.V. screens, the better. They will realise the difficulty of any rational discussion with such men. If the Rhodesian Government insists on adhering rigidly to the Kissinger "package deal", there could be some interesting developments in the Rhodesian drama. Upon his return to Salisbury from Geneva Mr. Smith suggested that if the Geneva talks broke down, he might look inside Rhodesia for black leaders to help form an interim Government.

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The Australian Wheat Board has signed a 500,000 tonne wheat deal with Communist China, estimated at being worth up to \$45 million. Those who insist upon the superiority of the Communist system might explain why the "decadent capitalists" have to feed the Communists. All economic assistance to the Communists helps them to build up their massive military machines.

The most significant aspect of the White Paper on Defence presented by Mr. D.J. Killen concerns future energy requirements for defence. By 1980, which is only three years away, 50 per cent of Australia's defence equipment will have to run on imported fuel. Unless major new Australian oil discoveries take place, the fuel position will continue to deteriorate. By 1985 defence will rely upon 70 per cent of imported fuel, and by 1990, over 80 per cent. Australia's attitude towards Middle East politics should be governed by the above facts.

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If the Hamer Victorian Government had firmly dealt with the Newport power station issue two years ago, it would not be in its present situation. We have no doubt that the great majority of Victorians support the belated stand by the Hamer Government. But unfortunately, the Government is more likely to play into the hands of the Marxists by its tactics of in essence threatening large numbers of wage earners with the loss of their incomes just before Christmas. Much more effective for a start would have been a move by the Hamer Government to authorise the State Electricity Commission to ask the Industrial Court to de-register the major unions imposing the ban.

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In its annual report, the Australian Industries Development Association confirms what we have been warning about: a serious decline in Australian manufacturing industry is on the verge of rapid acceleration. "Many small manufacturing enterprises are simply closing down", the A.I.D.A. report states. Larger enterprises are moving outside Australia and importing. The report makes the pointed comment that "The people who suffer are the retrenched employees more than the investors - and certainly not among the academics and public servants who press on government the policies which bring these results."

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