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The price of Freedom is eternal vigilance—

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Thought for the Week: "The more corrupt the state, the greater the number of laws" - Tacitus

INTEREST AND INFLATION: In the plan drawn up for the establishment of the Bank of England in 1694, it was frankly stated, "The Bank hath benefit of interest in all moneys which it creates out of nothing." As pointed out by Bishop Burnet in his classic, "History of His Own Times", the Tories (Conservatives) of the day bitterly opposed the establishment of the Bank, warning that the Bank would become "the masters of the stock and wealth of the nation." Clearly the British Conservatives of nearly three hundred years ago had more sense and understanding of the realities of credit creation than those who call themselves Conservatives today.

The latest increase in interest rates is presented as being "inevitable" as if money is a commodity and that like every other commodity it must be governed by something called the law of supply and demand. As far back as 1924, Sir Reginald McKenna, a Chancellor of the British Exchequer and Chairman of the Midland Bank, gave an historic address to shareholders in which he frankly said that the average person would not like to be told that the trading banks can and do create money in the form of credit. He went on to explain how this is done. "The Money Trick", (\$1.35 posted), contains numerous statements by authorities on how the banking system CREATES the bulk of a nation's money supply in the form of credit made available when loans are granted to individuals, industry and governments. Only the financially illiterate, which includes many politicians, believe the nonsense about money being some type of commodity.

Like the creation of everything, there is a natural cost associated with creating financial credit, and those engaged in this most valuable community activity are entitled to be paid a charge in the form of interest sufficient to cover costs plus a reasonable profit. Reputable authorities claim that credit can be created profitably for no more than 2 per cent. Creating credit by writing figures in ledgers is much

simpler and less costly than printing notes and minting coins. And yet this "small change" of the nation does not carry the growing interest charges applied to the creation of credit.

The increase in interest rates, "played down" before the elections, with Treasurer John Howard refusing to give a straight answer to questions on the subject, was the result of pressure from the "experts" in the Treasury and the Reserve Bank. Once again the politicians, including "strong man" Malcolm Fraser, have demonstrated that they are little more than puppets of the real government. Remember those promises by Mr. Fraser and Mr. Howard of how they were going to REDUCE interest rates? One does not need to be an economic genius to know that increased interest charges not only impose a further burden on those buying their own homes, but that they are an increased financial cost for business organisations which they must attempt to recover through higher prices. Higher prices mean greater pressure for higher wages. And so the vicious circle continues. As we have explained ad nauseum, high inflation, contrary to the promises of Mr. John Howard, is mathematically certain under present financial policies. Mr. Howard's idea of "fighting" inflation by further increasing financial costs, is like fighting fire by throwing some petrol on to it!

INCREDIBLE DEFENCE OF THATCHER POLICIES: We have on occasion lamented the fact that a man of Mr. B.A. Santamaria's talents has never come to grips with the central issue of a disintegrating civilisation, the monopoly of the creation and control of financial credit, the monopolists being in the position to monopolise control of real credit, productive capacity. The result is Mr. Santamaria and his NCP supporters are so often engaged in dealing with EFFECTS, providing no answers to the deepening finance-economic crisis, of which, inflation is a major manifestation. Perhaps it is not surprising, therefore, that "News Weekly" of December 3rd should give space to an article from "The New York Times" by Mr. Paul Johnson, the former British editor of the Fabian-style publication, "The New Statesman", in which not only are the repressive policies of Mrs. Thatcher's British Government endorsed, but the incredible claim made that the Great Depression in Britain stimulated the development of industries which played a vital role in the defence of Britain in the Second World war.

Since leaving "The New Statesman" in 1970, Mr. Paul Johnson has been widely publicised for some of his excellent writings on the evils of modern unionism and Big Government. But while Mr. Johnson has changed his politics since editing "The New Statesman", he has not changed his philosophy. He now emerges clearly as a power man, endorsing the view that the way to defeat the power of the unions is to apply the type of policies being imposed by Mrs. Thatcher. In the long run good will

allegedly come out of creating mass unemployment and bankrupting large numbers of business organisations, apart from creating widespread misery and social dislocation. Mr. Johnson claims that the British people are actually liking "the splendors and miseries of real national leadership." He does not explain why the British are trying to flee in their tens of thousands away from Mrs. Thatcher's "leadership".

Like Mr. Santamaria, Mr. Johnson has never criticised the Monopoly of Credit. If he did, he would not be given space in a paper like "The New York Times". And Mr. Santamaria would not be given regular space in Mr. Rupert Murdoch's national daily, "The Australian". Any group of politicians prepared to break the Monopoly of Credit, could soon break the Trade Union Monopoly by the simple process of adopting financial policies which would constructively eliminate inflation and place the individual in such a position of economic security where no monopoly could survive.

We repeat: we find it distressing that a journal which devotes itself to a defence of Christian social philosophy should give space to an article endorsing a brutal policy which, if persisted with, can only result in the United Kingdom passing under a Marxist-type Government at the next British elections.

WILL THE WEST HELP POLAND?: If the Soviet decides that it has to use a military invasion to preserve a Communist regime in Poland, it will not be deterred by any possibility of military action by NATO. NATO spokesmen have made it clear that there is no intention of trying to deter the Soviet on a military basis. What sanctions, then, does the West possess if it is not prepared to support armed resistance by the Polesto to an invasion by Soviet troops? The most powerful sanction of all - economic. A major feature of the Polish crisis is lack of adequate basic food supplies. The Achilles Heel of the Soviet system is not only its dependence upon Western technology, but its failures in the field of agriculture. Collectivised farming has proved a disastrous failure. Perhaps this has not worried the Soviet dictators unduly, as they have had no difficulty in obtaining adequate supplies from the West. During the seventies grain imports by the Soviet averaged 9 million tons a year. They reached 28 million tons a year by the end of the seventies and it was planned to import 38 million tons in 1980. There was some disruption to these plans following the Afghanistan affair. But the partial embargo has now been effectively broken by a Canadian wheat contract signed with the Soviet worth more than \$450 million Canadian. Exporting grain and other food commodities, along with wool, technology and minerals is justified on the basis that it helps Western economies. There is evidence to suggest that the Soviet is stockpiling sufficient food to ensure that its large military forces are adequately fed.

Cutting off food - and raw materials and technology - to the Soviet would certainly require a change of financial policies in the West. The Soviet leaders are confident that such changes will never be made. Not surprisingly, Communists in all Western countries make every effort to smear those like the League of Rights who are advocating financial changes which would stop the alleged necessity of exporting to the Soviet. Credit policies in the West will determine just when the Soviet strategy for world conquest is going to be halted. The food situation inside the Soviet is now so critical that the Polish strikes could be followed by similar action inside the Soviet. What a tremendous opportunity the West now has to encourage not only the Poles, but the victims of Communism everywhere, by cutting off economic blood-transfusions to the Soviet.

BRIEF COMMENTS: One of the long term threats in any crisis, is the fostering of false alternatives by those primarily responsible for the crisis. John Maynard Keynes was publicised during the Great Depression as the answer to C.H. Douglas. In the current crisis we have Milton Friedman and the "monetarists", and more lately the British economist Mr. Peter Jay. Mr. Jay endorses what Douglas said long before him, that a crisis must develop of such proportions that the political system and the free society would disintegrate. Mr. Jay advocates a worker-owned economy, the workers hiring professional managers. Mr. Jay does not explain how consumers are going to obtain sufficient purchasing power to buy the increased volume of production which he envisages his system would produce. He does not attack financial orthodoxy. If he did, he would get the "silent treatment".

As we anticipated, many of the conservative groups responsible for the campaign to elect Ronald Reagan President of the U.S.A., are becoming concerned about the Reagan appointments. The Trilateralists received a set back when their first choice, George Nush, was defeated in the American primaries. But their strength was sufficient to have him forced on the Republicans at the nominating convention. Also at the convention was Dr. Henry Kissinger, now projecting himself as a man gravely concerned about the strength of the Soviet. He was greeted in silence. But he is back preparing to directly influence government policies.

BASIC FUND: Our only comment: keep it coming!