



ON TARGET

- NEWS HIGHLIGHTS
- BACKGROUND INFORMATION
- COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance—

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Thought for the Week: "At the end of October 1929, the New York banks, without notice, called in practically every overdraft and advanced the rate for the 'call money' from a normal 3% to 30% or more. The effect was instantaneous. Borrowers, for the most part in large blocks of securities both American and European (Germany re-possessed herself of her own borrowings at bargain prices), threw them on the market in order to obtain cash, either to meet calls or wages account. But there were no buyers for cash, since there was no cash. The banks had it all, although the country at large had the securities representing much of the funded wealth of the prosperous years."

- C.H. Douglas, in The Brief for the Prosecution (1945).

DECIPHERING THE STOCK-MARKETS CRASHES: "Just as the New York Crash of 1929 did not cause the Great Depression, there is no way that the crash on the major exchanges last week will 'cause' or even 'predict' a depression in economic activity in 1988."

- Kenneth Davidson, in The Age (Melbourne), October 26th. No, the New York Crash of 1929 was the result of the high policy of the New York banks. We repeat the phrase, high policy. There was nothing accidental about the Great Depression, although, as Dr. Bryan Monahan has pointed out, obliging economists attributed the Crash to "sunspot activity" and other remote causes. This would have pleased the international bankers greatly: anything to deflect attention from the root and real causes.

We have yet to see any economist, or any politician call attention to the high policy of bankers in triggering the Great Depression by the actions described by C.H. Douglas in his The Brief for the Prosecution (\$7.00 posted).

To some similar extent we don't believe that the last week's crashes "just happened": they happened for a reason, and whilst we have no "inside" information at all, we do believe that the West's finance-economic structure is being given a good shake in preparation for events to come. We can merely make an educated guess that further, more tumultuous, disruptions are to come.

"ON TARGET"

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Page 1 (165)

We knew that this wasn't the start of another Great Depression, days ago, when the American Federal Reserve issued a statement to the effect that it would intervene to prevent such an occurrence. That was it, for the time being.

From watching and listening to share brokers over weekend TV, we deduced that the sharebroking industry doesn't have a deep understanding of the finance-economic system; it has a good understanding of its own role, sharebroking. The brokers and the politicians are choking with desperation to "calm" the share markets. Of course. Their whole world could come crashing down around their ears. The politicians, and especially Socialist Brothers Keating and Hawke, can anticipate a situation which could possibly shake them, along with all their hangers-on, out of office. At least two political commentators remarked the Hawkeating Government will now perform its "duck-mode", i.e. appear to glide smoothly on the surface of events, whilst paddling violently and furiously where the electorate can't see, beneath the surface of events. If the Australian economy does enter a severe recession whilst "Labor" is in office, then all the silly guff about "J-Curves" and the need for this tax and that tax, won't save them; and they know it. They are now desperate men. Brother Keating might as well consult his horoscope for all the effect he'll have on the situation, one way or another. As admitted by Kenneth Davidson:

"But the future course of the global economy is not only unknown, but unknowable, because it depends on local, political and economic policies to be chosen by the major industrial countries". Brother Keating will have to do some fancy footwork to stay upright!

But Kenneth Davidson misses the point when he writes: "this time round we have the knowledge (O Yeah! ... O.T.) and the international institutions such as the O.E.C.D., G.A.T.T., I.M.F., and the World Bank and the Bank of International Settlements to avoid another depression, but there is one thing different: if we do go into a depression we no longer have the option of a labor-intensive world war to pull us out".

This isn't right, of course, We no longer need world wars to "soak up" redundant labor; most certainly not to the extent of the Western economies of 1929. It has been "managed" for decades past by other means; e.g. aid to "underdeveloped nations", "space programmes, the space race", localised wars (Vietnam, Korea). This sort of thing. We recall reading of consternation in the Halls of Industry of the USA during the Korean War that "peace might break out!" Only astronomical government spending by the West, and particularly by the USA has prevented universal economic collapse long before this. The "price" is escalating, unrepayable, debt; and the citizens of the West are "paying" for this (rather, trying to pay for it!) by way of the declining standard of living, as their governments cast about for ever new taxes to service unrepayable debt. Crazy? You bet.

Well, what now? No-one is sure (except the instigators, maybe; and it could be that even the few in the know don't have full control any longer. Some are saying that the panic will not spread to the currency markets. It won't take long to find out. But the Crash of '87 has done one thing: it has effectively destabilised the finance-economic systems of the West for the first time in 50 years. We haven't even begun to feel its effects yet, and these will be reflected in an extreme caution with respect to investors. The failure of the Westralian Rothwells merchant bank (propped up pro tem) is an indicator of things to come. Local estate agents are purring softly like satisfied cats because property values are not only holding, but edging upwards. This is to be expected in the short term: investors will "take refuge" in "bricks and mortar". It will be a different story when the housing loans of non-investors are looked at more closely by the banks.

We have been inundated with requests for advice from supporters with "a few thousand invested here and there". We don't have a crystal ball, either. We do have a better basic knowledge of the finance-economic system than the stock-market, currency exchange, crowd - and we cannot see how a general collapse is not inevitable. It (finance-economics) is all based on fallacies. We can merely advise supporters to stay out of debt, if possible: at least, reduce total debt. Buy only what you need; not what you want.

Secure the three basics: food, clothing, and shelter. Then, keep your eyes skinned. Harry Schultz, the World's No. 1 economic "guru" gave good advice. He was in Australia when the New York stock-market Crash hit. He said: "OK for now, but keep the lifeboats ready". Yes, keep those lifeboats ready.

ADVICE TO SUPPORTER X, FOR BUDDING POLITICIAN Y, TO QUESTION PARTY LEADER Z:

Recently Queensland State Director for the Australian League of Rights, Mr. Charles Pinwill, was asked for advice by a supporter who has a friend running for a seat in State Parliament. This candidate asked, through him, for help in composing questions to his Parliamentary Party Leader.

Part of the response, with a suitable removal of names, is here reproduced for use by others, with their own State parliamentarians.

"... Nevertheless, if your friend wants to take up the question I would suggest he stick to the State scene. The first question might be: 'What powers does the State have in the area of banking?'"

"Section 51(13) of the Constitution will arm him with some answers and he should be familiar with it before asking.

"Whatever the answer he might go on to question this more closely to develop both his and Mr. Z's understanding.

"A key question is, 'If a State Bank took great care not to write or accept cheques from interstate or to interstate accounts, would the bank, if successful in having no interstate transactions, be subject

to Commonwealth Banking Legislation such as Reserve Bank regulations etc.?' The correct answer is NO!

"If he can get this far then the question arises, 'Well, if such a bank were brought into existence, it could issue credit many times its deposits, could it not?' And "Thus, could it not be used to finance the State at practically no interest, or indeed none, if it paid the administrative costs of the bank?"

"The answer to this is 'Yes', but Mr. Y would need to understand basic banking practices to support his point. Does he so understand, or can you help him?"

"Two objections normally arise. One is that the Bank would not have access to sufficient legal tender (notes) to meet demands upon it. This is not so, as the State Railways and other sources of cash could be placed at this Bank's disposal. Some State taxes could even be collected in cash to alleviate and completely overcome this.

"Secondly, it is normally objected that the established banks could refuse to clear this Bank's cheques, thus stopping its operations. This is not so, as the State has adequate powers to so penalise the established banks operating in your State, that even they could not afford the battle.

"A fee, for instance, could be levied upon all State lands used for the purpose of conducting banking operations which would be sufficient to operate the whole State at no charge; with the proviso that the Minister responsible could waive this charge in return for clearing house facilities - if he so chose.

"I do not believe that if a State set out to levy several charges, and was determined to use its powers to the full in every area of its jurisdiction, that this could be negated by either the banks, the Commonwealth, or through any court given the existence of Section 51(13). Full co-operation would be forthcoming.

"So, 'If the State could use its powers to finance itself at no interest, why should it not be policy to do so?'

"The real answer to this one is that the politicians don't want to take on this fight. The reasons they give are immaterial though obviously related to the risk this would place upon their political survival. If it were constantly explained that the whole reason for this initiative was to bring down interest rates in their State, and for others, such as industry and home buyers, it would be a political winner."

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