



ON TARGET

- NEWS HIGHLIGHTS
- BACKGROUND INFORMATION
- COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance —

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THOUGHT FOR THE WEEK: "There can be no doubt that the subject of Finance is, in many cases, guarded by Black Magic. Intrinsically, nothing could be simpler. You bake a loaf of bread; you give someone a white pebble; next day the white pebble is offered to you, and you accept it in exchange for the loaf, and everyone is happy. A more complex system is demanded by a more complex economy, but the fundamental principle that money ought to be simply an accounting, demand system never changes, but is never observed."

— C.H. Douglas, 1949.

THE GREAT BANKING RIP-OFF: The banking system of Australia consists of a group of extremely privileged institutions which have been authorised by the Federal Government to create and administer the financial credit of Australia. As witnessed by the enormous profits declared by the banking institutions, banking is an extremely profitable service industry, much more so than those who grow and create real wealth. While the media carries reports on never-ending bankruptcies among those engaged in operating the economy, there is no suggestion that any of the banks are likely to be threatened by bankruptcy.

In view of their privileged position, it would be reasonable to expect the banks to at least attempt to create the impression that they are adopting a conservative policy during a period which is becoming increasingly difficult for the great majority of the Australian people. But no sooner had the latest current account deficit been announced than the banks were falling over one another to push interest rates still higher, with housing loans soaring to 16 percent. The higher interest rates will add payments of \$30 a month on a mortgage of \$75,000. Not surprisingly, home owners are loud in their protests, stressing that it has become increasingly imperative for families to have two incomes. The major thrust of present financial policies is against the traditional family. Having children is regarded by many as a luxury they cannot afford.

But before placing all the blame on the trading banks for the escalating

interest rates, it must be stressed that these rates have the full support of the Reserve Bank, whose policies are in fact used to justify the increased rates. The Australian of March 11th carries the following headline on the front page: "RESERVE IS TELLING BANKS TO LIFT RATES". The story which follows, written by Laura Tingle, starts: "The Reserve Bank has resorted to telling major trading banks directly to lift interest rates on housing and business loans because it believes rates set in the deregulated financial system are not going up fast enough." Laura Tingle says that the Reserve Bank has been ringing the major trading banks, urging them to lift interest rates.

According to the Federal Constitution, the Federal Government is responsible for monetary policy. Only recently Treasurer Paul Keating claimed that the bank did what he wanted. If this is the case, then Mr. Paul Keating must take full responsibility for the high interest rates. But in an attempt to minimise the political backlash from high interest rates, both Paul Keating and Prime Minister Hawke are attempting to create the impression that these rates are the result of "market forces" over which they have little control. Mr. Hawke says that interest rates had increased about 7 percent in the past 12 months - "about in line with the general increase in the cost of living". Mr. Hawke does not point out that higher interest rates reduce the standard of living still further for the home buyer, while higher interest rates for industry are an added cost which must, if possible, be recovered through higher prices.

Treasurer Paul Keating says that higher interest rates would remain "for several months" - "to cool excessive demand". The practitioners of black magic would have Australians believe that the economy is "overheated" - whatever that means - and that higher interest rates are necessary to "cool" the economy. The world's greatest Treasurer, whose predictions have been proved consistently wrong - remember how last year Keating was projecting a reduction in the inflation rate to 4 percent - says that "the policy settings we have now will mean that interest rates will only be at these levels so long as necessary and for the shortest possible time before we start moderating economic activity". Australians are not told what type of economic activity, and why it is excessive.

The true purpose of a production system is consumption, and production should be dictated by the individual using his own money "votes". But for reasons which have been outlined in League literature, debt-financing makes it mathematically certain that inflation is permanent. High interest rates only make the situation worse. Financial credit

could be made available for housing and every other form of essential production at an interest rate as low as 3-4 percent. And the banking system would continue to make adequate profits.

Events have overtaken the Hawke-Keating strategy. There are even greater disasters ahead. Not even Keating's media minders are able any longer to disguise the fact that Keating has been misleading the Australian people for six years. But, unfortunately, there is no evidence that a Howard-Sinclair Government would do other than make the position worse. John Howard is firmly in the grip of the Black Magic of financial orthodoxy. Australia's future depends upon enough Australians freeing themselves from the Black Magic. The widest possible distribution of The Money Trick (\$6.00 posted from all League addresses) would assist.

BRIEF COMMENTS: At a time when every industrialised nation in the world, including South Korea, is attempting to make their economies work by bigger and better "export" drives, designed to achieve the "favourable trade balance", Prime Minister Hawke exhorts the Australian people "to respond flexibly to global market development and to demonstrate a willingness to adapt to the rapid pace of technological change". Making use of the current jargonese, Mr. Hawke said the Government was committed to something known as "micro-economic reform", also known as "restructuring". Mr. Hawke cited what he called the Button steel plan under which the government, unions and BHP had "together rescued the steel industry...". Unfortunately for Mr. Hawke, the Government Bureau of Industrial Economics, in a recent report, said that government policies had little effect on the steel industry, with one of its main planks, price restraint - actually reducing profitability from 1984 until 1987.

The first essential for Australia is that internal financial policy be modified in order that Australians have control of their own affairs. When Australians have first put their own house in order, they can consider which genuinely surplus production they might exchange profitably with other nations. It is elementary common sense that not every nation can have a "favourable balance of trade". Others must have an unfavourable balance. But this obviously is beyond the understanding of Australia's Fabian Prime Minister.

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Remember that myth about the Reagan administration solving the inflation problem in the U.S.A.? Well, a series of record deficit budgets made it

certain that inflation would continue, and increase. Mr. Alan Greenspan, chairman of the U.S.A. Federal Reserve Board, announced last week that the central bank would not be deterred from its policy of gradually pushing up interest rates "to fight inflation". Not surprisingly, many see major disasters ahead for the U.S.A. There can be no genuine stability under debt finance, heavy taxation and high interest rates.

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Commenting on the decision by the Freemasons' Hospital, Melbourne, to refuse to handle AIDS patients, Dr. Alvis Kucers, director of medical services at the Fairfield, Melbourne, infectious diseases hospital, says that "The good thing about the Freemasons banning patients with AIDS is that it has evoked long overdue discussion of the infection risk through normal hospital practices". Since the Freemasons' decision, some of Australia's leading surgeons have publicly spoken out about the risks they take in operating on people with AIDS. At long last some reality is taking over on the subject of AIDS, with the "gay" lobby being forced on to the defensive.

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Gorbachev and his colleagues have introduced a drastic new farm programme, with stress on private ownership and personal initiative, in an attempt to help overcome the Soviet's critical food situation. It is ironic that while the Communist nations are trying to revert back to traditional farming, the West is moving in the opposite direction, phasing out the family farm in favour of corporation farming. The overall food situation for the world is extremely critical and is one of the basic issues confronting the whole world.

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We note that John Howard, at the Liberal Party's State (Vic.) Council Meeting, confirmed that the next Coalition Government will sell off Qantas, Australian Airlines, the Commonwealth Bank, and "communication enterprises".

Qantas is our national airline, and has a proud record. Should it go in the scraping of the national asset barrel? Australian Airlines (the old T.A.A.)? Perhaps a case could be made for that. But the Commonwealth Bank? Arguably the only all-Australian financial body left to implement all Australian financial policy. We oppose the sacrifice of the Commonwealth Bank. What are "communications enterprises"?