A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance —

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"Some floating opinion in Australia striving for importance is saying that the place of Australia and its people in the world is now with Asian countries to the north of it, mainly Indonesia, China and Japan. According to that opinion the Western world, its civilisation and values, have lost their significance for the Australian people. It is an inept view, and an ignorant one. It is a trading notion, merely, and absurd at that. It confuses value or price (material things and their fleeting ownership) with values (spiritual things and their permanent possession)..."

- Dr. Walter Henderson, in Conservation and Society .. (1976)

MOSCOW MYSTERIES: "Shocked Muscovites expect food rationing in a fortnight and are blaming the Soviet President, Mr. Gorbachev, for panic buying before the planned introduction of a controlled market economy." - The Australian, May 28th

The National Director, in his address to the Melbourne Conservative Speakers' Club on May 7th last, made the observation that it would be difficult for observers to predict just what would happen in the Soviet Union from one month to the next; if not from one week to the next. The sheer inefficiency and hopeless reduction of decision making under the Communist system, have virtually brought the general functioning of the Soviet State to a halt, despite the prods of the secret police and overall control of propaganda by the State. Other factors are the great burden of having production channelled into Defence (offence!), and the general resentment of citizens against Omnipotent government; a type of passive resistance.

The satellites are feeling stronger (Lithuania, Armenia, etc.) as the Kremlin stumbles and fumbles, and shows an unwillingness to crush resistance, unthinkable only a couple of years ago.

Other factors at play are the rise of anti-Semitism (historical) as world Zionists attempt to hose down Jewish opposing opinion with the Soviet Empire by instructing Jews to "work with Gorbachev".

The West? The West also, obviously, wants to "work with Gorbachev"; Lithuania received the "Hungarian treatment" from the West when it tried to assert its independence from Moscow. It got what the Hungarians got in 1956. **NOTHING.** We think Gorbachev is losing position.

WHAT IS THE TREASURY UP TO? "Paul Keating's scuttling of A.N.Z. Bank's takeover of National Mutual Life will have immense implications for all Australian businesses, not just those in banking and insurance." - Financial Review, May 25th.

One may easily be forgiven for raising this question. Why?

Because an informed political observer in Australia (and elsewhere, for that matter), would expect the Fabian Socialists to foster centralisation of political and economic power whenever and wherever they are able. Mr. Will Bailey, chief executive of the A.N.Z. Bank, is complaining that the Treasurer is re-regulating the Australian economy after having championed its de-regulation after the victory of the Hawke Government in March, 1983. (We remind supporters that Paul Keating was fiercely opposed to the deregulation of Australia's finance houses only weeks before that Fabian Socialist electoral victory.)

Some may recall that Mr. Keating made an extended visit to the United States almost immediately after the victory, and came back, only a few weeks later, a fierce advocate of deregulation. What happened? Well, he was taken up into the High Mountain, and shown the world! He has been the favourite son of International Finance ever since.

There is some radical "re-think" going on in upper Australian financial circles, and it may not necessarily be Australian: the "order" may have come to Mr. Keating from superior financial power, off-shore.

The Chief Executives of A.N.Z. and N.M.L. are talking about a "critical mass" (this is a new buzz phrase in the columns of finance commentators). It means being "big enough" (having enough financial "strength") to compete internationally.

The current thinking at high government financial levels is that this "critical mass" is not a valid factor in the viability of giant financial houses.

What about the other Life Offices? All relieved, is the belief of most commentators. Why?

The A.N.Z.-N.M.L. move would have given this combination a great fillip and advantage over competitors: the very structure of some Life Offices, now, puts them at a disadvantage.

Life Offices will have to "demutualise". This means a change in the structure of such an organisation to allow it access to more funds. A "mutual" office is not owned by shareholders, but by policy holders.

The stock-market crash of 1987 sent more than ripples coursing through Australia's finance houses, and the resultant demand for superannuation funds, as an example, has put much pressure on some life offices: the mutual offices particularly.

The financial savings thrust of the future will be much more into superannuation, than just savings. The tax system promotes superannuation; the Government must do something about its growing burden of pensions. Future governments will be attempting to cut down pension payments by promoting general superannuation provisions.

The tax system takes around half of the interest gained from bank savings, as against the 15% the tax man takes from super funds!

Why Our Suspicion?

There is much being swept under the carpet. The Labor-oriented media pack of journalists are NOT raising the question of the reasons for Mr. Keating's decision against the A.N.Z.-N.M.L. merger. They are just parroting the phrase "not in the national interest". WHY isn't it in the national interest?

Well, we, ourselves, do have views on this matter. We think that Mr. Keating (and others, perhaps in Washington and New York) feel that if the major banks and Life Offices here merge, there could be created a financial Frankenstein which could not be controlled. Indeed, such a monster could well grow into such a position of political and financial strength that it could dictate terms to the Treasury. We think that Paul Keating received the danger signals, and that is why he knocked this merger on the head.

Banks Under Pressure:

Reserve Bank regulations may soon be changed (and probably will be in our view) which will put added pressure on the lending of banks.

Following a Bank of England lead, our Reserve will probably force Australian banks to reduce their liquidity base by having to deduct their holdings in other banks from same. This means a contraction of their loan operations. They may also be forced to hold added capital to cushion funds management uncertainties and also interest rates payments; further restricting their loan operations.

No wonder that prominent bankers are preaching gloom: the outlook for them, by their standards, is gloomy. This means that the gloom for all, in the immediate future, is real.

From what some senior banking executives are saying, this position (re mergers) could be reversed by a change of government. Maybe.

Some are saying that the advocates of the Multi-Function Polis Rainbow will now have a field day by promising Australians that "pot of gold" at the Rainbow's end. The M.F.P. will lift us out of the financial mire we are now in, and line our pockets with the good stuff. A very big "maybe".

BRIEF COMMENTS: The Government's chief weatherman, Dr. John Zillman, says we should not allocate moneys for reversing the Greenhouse Effect just to satisfy political demands.

Which implies that Dr. Zillman has at least some reservations about the credibility of what we still call the Green-Hoax.

He does agree that global warming could be under way but there is no general agreement what this means in various areas of our globe. In the next 40 years the world's temperature could (not "will") rise by 1 degree Celsius.

Now the United Nations has come more into the issue. It has come up with a much more detailed analysis on the world's environment: even Maggie Thatcher has been swayed.

We are still not swayed: we see the U.N. Report on the Environment as a precursor to a United Nations Convention on the Environment, on which Fabian Socialist governments, like our Hawke Government, will be delighted to legislate to promote policies of economic and industrial centralisation.

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It is unquestioned that a global bank liquidity squeeze is "on". Moody's, the U.S. credit-rating agency, has downgraded some 28 U.S. bank holding companies and four Japanese trust banks this year. This raises the cost of the funds of such banks (they have to pay a higher rate of interest to attract deposits to augment their liquidity bases).

Now Japan is nervous that the chill winds of recession may strike home, and the main reason is property.

The Japanese banks have advanced enormous property loans. Mitsui Trust, one of the giants, has advanced some 55% of its loans for property development. Some Japanese property experts expect that some property prices could fall 40%.

Could all this affect Australia? Most certainly, it could. There may be some Japanese "giants" who think that, if the worst happened at home (Japan), then the Australian investments could provide a nice "cushion". Maybe. But in any event, there will be the large Japanese concerns which will have to divest themselves of overseas holdings (if possible!) to save what they have at home.

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The first war-crimes trial in Canada has resulted in acquittal. One, Imre Finta, a Hungarian, was the victim charged with various war crimes, was acquitted after the jury of 12, after hearing evidence for SIX MONTHS, returned its verdict. Mr. Frank Dimant, of local B'nai B'rith, said "We are in a state of shock".

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