A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"For the past 97 years most Australians have tended to see their nation's history as a wide ranging success. In their eyes the blunders and defects have been far outweighed by the merits. Among the merits are the shaping of one of the world's oldest continuing democracies, the pioneering of a harsh environment, the winning of a high standard of living, and a conspicuous role in fighting on what was once seen as the side of virtue in two world wars."* – Professor Geoffrey Blainey

THE HAUNTING RETURN OF JOHN MAYNARD KEYNES by Eric D. Butler:

During the Great Depression of the 1930s the author of Social Credit, C.H. Douglas, convinced a growing number of responsible people that the basic cause of the Depression was a shortage of purchasing power resulting from an international banking policy which resulted in business bankruptcies and mass unemployment. Douglas demonstrated that as a result of a restriction of the rate of credit creation, there was widespread poverty amidst plenty. There was nothing basically wrong with the production system which could easily increase production if necessary. Douglas stated what is basically commonsense: that the true purpose of production was consumption, that the production of capital goods should be governed by what consumption was essential. And the true cost of production was consumption. As Douglas demonstrated, the quickest and more effective way to increase the purchasing power of the people was by the payment of a direct national dividend in association with new financial credits to discount prices of basic items in the economy. The political strategy should be one of uniting electors across party divisions to make a demand on the individual Members of Parliament.

One result of the Social Credit campaign was that knowledge about the creation of credit by the banking system as interest-bearing debt became widespread. This challenge to the Monopoly of Credit had to be countered. Economist John Maynard Keynes was the answer. Keynes readily admitted that the banking system created financial credit. He indirectly conceded that there was at the time a deficiency of purchasing power. What was required were policies designed to stimulate the economy. This became known as "pump priming". Deficit budgets should be financed by new credit creation, primarily for capital works which increased wages, and therefore purchasing power before goods which resulted from capital production, came on the market. Keynes readily conceded that his policy for expanding credit would be inflationary. What was required therefore was "controlled inflation". The better informed Fabian Socialists, people like John Strachey, quickly grasped the long term implications of what Keynes was advocating – progressive inflation and increasing government intervention in the economy.

In a revealing address to a meeting of Central Bankers last year, the man described as the most influential Central Banker in the world, Dr. Alan Greenspan, Chairman of the US Federal Reserve, was candid concerning the creation of financial credit by the banking system. He used the term "unlimited" credit creation. The good Dr. Greenspan was not quite right. There is a limit to credit creation; that limit being environmental and social. It is possible to turn the whole world into a slag heap. The followers of the American La Rouche support a concept of growth extending into the whole universe. But Dr. Greenspan and his fellow financial gurus are a little more modest; they want to re-organise the whole known world into some type of New World Order, using the USA as a base. He has been insisting for some time that some pump-priming be applied to the Japanese economy, the second biggest in the world, in an endeavour to end the current Asian financial crisis. The Japanese Government is bowing to the pressure being applied by Dr. Greenspan and bringing down a new "supplementary" budget, the fifth in as many months. There is to be a further expansion of public works, these to be financed by an expansion of credit through the Japanese banking system.

Using the type of gobblegook language for which the exponents of the black magic of financial orthodoxy are noted, the economic "experts" state that in essence the Japanese banks will have their liquidity increased by a massive injection of central bank credit. This will, it is claimed, permit "non performing" loans to be operated, and to "retire" debt. Japanese Prime Minister Mr. Ryutaro Hashimoto says while Japan was not under any international obligation to "prime the economy", "Japan will not give up making efforts as a member of the Asian and world economies". Asia is seen by the world planners as a vital part of what is an international programme. Cheap labour is available and vast natural resources. It is this cheap labour which makes it possible to hold down the inflation rate in Western nations like Australia. Africa is seen in the same light by the globalists.

But as has been seen in Latin American countries like Mexico, the social implications of what is being attempted are horrendous. Already the shape of things to come is being witnessed in Australia, where the traditional small family farmer is being pressured to make way for the much more "efficient" bigger units. What is required for Australian survival is not a dose of the type of Keynesian economics being advocated by some well-meaning people. What is required is, first, a decision to extricate Australia from the entangling web of internationalism, and to make credit available on terms which will enable family farmers and small businesses to survive. Now that Dr. Greenspan has admitted that financial credit – which means debt – can be created by an electronic blip, enormous amounts of debt can be dealt with in the same way – blipped out of existence.

It has become increasingly clearer that it is the Australian consitutional system which stands in the way of a complete surrender of what is left of Australia's economic sovereignty. Defence of that system, a central feature of which is the Constitutional Monarchy, is a top priority. Australians should be carefully noting what is being attempted in Asia, and not be sucked down with the disasters which are now a feature of the whole Asian scene. A return to Keynesian economics should be repudiated as strongly as possible. Why follow the Japanese disaster road?

CENTRALISED POWER STRUCTURES by David Thompson:

As the Australian electricity industry heads towards a 'national' grid by 2000 (which won't include WA because of isolation) the warning signs of huge, highly centralised utilities are already evident. The record of the last few months is not impressive. The Auckland power debacle involving over 50,000 central city users, and estimated to cost billions of dollars, is only one of many crises.

In Brisbane last month, raw sewerage floated in the river when the (centralised) power system and back-up systems all crashed. The violent electrical storms in Sydney in February had thousands of homes without power for sustained periods, and in Perth, fires on power poles isolated around 5000 customers. Other major cities like Adelaide have also suffered large-scale black-outs.

Perhaps one of the most frightening examples of what happens to modern society when a basic essential like electricity fails was that of Montreal, Canada, last year. A large proportion of the city was without power for weeks after snow storms felled thousands of power poles. The truth is that we are now increasingly dependent on technology for the most basic of tasks – like opening doors – all powered by electricity. When the supply is suspended, even briefly, the whole social structure begins to break up rapidly.

When other essential services fail because of lack of power, complete chaos quickly results.

The failure of police computer systems, emergency services communications equipment, traffic systems and water supplies and food delivery systems paralyse modern society because of centralised power systems. It is a case of the "big is best" dogma breaking down completely, because failure of such systems are certainly very big failures.

The reason why huge, highly centralised systems fail is a separate question. Many suspect that the 'privatised' power companies face different imperatives to publicly owned utilities. In the case of Auckland, the power corporation is government-owned, but many believe is being prepared for 'privatisation'. Instead of maintaining the entire power system at peak efficiency, which is extremely expensive, many suspect that private power corporations use a "risk management strategy". That is, higher maintenance resources are concentrated on areas with higher risk rankings. As a result, lower "risk" areas suffer from lack of maintenance, and fail more frequently.

Sydney residents strongly suspect that their private energy companies have trimmed maintenance budgets, which means that in emergencies, the number of repair teams required to restore power quickly is no longer available. However, few systems are designed to cope with the 16,000 lightning strikes in six hours suffered by Sydney last month. With the savage competition now taking place among power suppliers, corners will be cut in order to survive commercially.

CUT-THROAT COMPETITION: With the arrival of the national grid system, competition will be fierce. Already private and government-owned corporations alike are competing strongly for "market share". The government-owned systems are struggling to survive in a price-cutting war in which the private Victorian power companies must be taking huge losses. Prices for power, controlled automatically by computer in Melbourne, fluctuate wildly at different times. They have fallen to as low as $4 per megawatt hour and soared to as high as $5,000 in the last six months, according to reports in ***Business Review Weekly*** (23/2/98).

Grid prices have dropped from $35 per megawatt hour to $10-15 in Victoria and NSW, while production costs are around $37 per megawatt hour. The fact that start-up times for the large coal-fired plants mean that they cannot be easily turned off means that they can more easily afford to discount power than shut down the generators.

How can "private" power corporations sustain these sort of losses, and keep up their maintenance levels at the same time? And how long will it be before power companies shut down huge numbers of domestic clients in order to supply power to other parts of the grid where peak prices soar to as high as $5,000 per megawatt hour?

For example, would the debt-ridden South Australian energy corporation be able to resist cutting power to half of Adelaide in the middle of the night in order to profit from huge bonus rates in, say, Sydney?

There is no evidence that the 'privatisation' of power services is going to make the supply more reliable in the longer term. It may not even make it cheaper, if takeovers and mergers result in even bigger super-power companies owned by foreign multinationals, which is already envisaged. But what is clear is that highly centralised essential utilities such as power and water leave every community vulnerable not only to the high prices of monopolistic corporations, but to unpredictable disruptions of supply on a vast scale.

Anyone who doubts the dangers of this need only interview the Auckland small-businesses who have been advised to shut down their businesses for ten days until the power supply is back to normal. Once their doors close, there is little chance of them ever opening again.

SADDAM HUSSEIN WINNING ON POINTS: It is clear that United States officials are not really delighted that the UN Secretary-General has reached a 'peace formula' with the Iraqi leaders. The US has poured millions of dollars (perhaps even billions) into mounting the military offensive, irritated or alienated more of their former Moslem allies in the Middle East, and has little to show for it.

On the other hand, Saddam Hussein and his advisers appear to have scored a diplomatic-propaganda coup against the "hated US imperialists". If Iraq can exercise the discipline of submitting to the international scrutiny demanded of them, it would now appear highly unlikely that any "weapons of mass destruction" will be found.

In return, the terms of the UN "peace deal" with Iraq appear to offer Iraq the prospect of the removal of international economic sanctions. It is even worth raising the question of whether there ever really were "weapons of mass destruction". Could Iraq have led the US to believe there were hidden armouries of biological and other weapons deliberately to provoke a resolution to their international economic isolation?

There is no doubt that the Russian advisors to Iraq are pleased with the UN resolution to the impending military conflict. It can only have strengthened the Russian alliance with Iraq, which is of some significance, as the Russians have always had a long-term interest in warm-water shipping ports to the south.

The United States may have other, more subtle reasons for maintaining sanctions on Iraq. Since the price of oil collapsed, Iraq is claiming that it needs to export much more than the limited amount of oil it is permitted to export under economic sanctions. This could only further depress the price of oil, a prospect that the north American producers, with higher production costs, would view with alarm.

Meanwhile, the costs of maintaining the (mainly) US military force on station in the Middle East continues, and Saddam Hussein appears to hold the best negotiating cards. If he can draw out the weapons inspection process, how long will the United States taxpayer agree to finance the Middle East 'holiday' of its expensive military force? It is clear that Kuwait is not offering to help with the military costs, and there is no suggestion that the main beneficiary of a weakened Iraq – Israel – is making a contribution either.

MURDOCH FEELS THE HEAT ON CHINA: Internationalist Rupert Murdoch's publishing arm, Harper-Collins, is in crisis because Mr. Murdoch was extremely uncomfortable with parts of the book his company was to publish by former Hong Kong governor Chris Patten, who was critical of the Chinese communists. When Mr. Patten refused to modify his views, his publishers cancelled the publishing contract, on which Mr. Patten was paid $122,940 in advance. This has alarmed many other authors contracted to Harper-Collins, who are appalled by the sort of influence Murdoch wields over his editors.

But Mr. Murdoch's position has long been perfectly clear. He expects China to be the next really big emerging market, and he is determined that News Corporation will enjoy a large slice of the Chinese media market. As a committed internationalist, little things like censoring the opinions of people like Patten are of little consequence compared to mega-profits to come when China fires up commercially. Mr. Murdoch, in fact, is determined to see that China takes its 'rightful place' as an emerging superpower in the new global economy, in which he is clearly positioning News Corporation to be a major component.

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