



A WEEKLY COMMENTARY

ON TARGET

- NEWS HIGHLIGHTS
- BACKGROUND INFORMATION
- COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"The real foundation of freedom is a spiritual reality. If the spiritual temperature of the world rises, the thermometer of oppression will drop. But if the spiritual temperature drops, then the political thermometer of oppression and tyranny will rise. And if the spiritual temperature continues to drop, what will the end be? Let us remember that the word 'religion' has its root in the word 'binding' – it is essentially a binding back to God of all that He has created."*

The Rev. A.C. Canon Fellows in *The Foundations of Liberty*

THE GREAT TAX DEBATE by Jeremy Lee:

The election – as far as the national media is concerned – has degenerated into an interminable argument, with claims and counter-claims between two individuals, about taxation. Despite endless news copy and television space, not to mention paid advertisements funded in part by the taxpayer, the main principles regarding taxation have been avoided.

In the last Federal election it is estimated \$36 million was spent on political advertising. This election the figure is expected to rise to about \$50 million. The use of millions of tax-funds to push the GST case by "Honest John" is a new low which doesn't surprise a disenchanted electorate.

The same media which reports 'ad nauseum' the contest in deception which passes for modern elections is producing a few articles indicating that it recognises the charade. A major feature in *The Australian magazine* (September 26th-27th, 1998), headed "Trust Me, I'm a Politician", summed it up thus:

"As Australia prepares to go to the polls, the evidence is clear that most of us will do so with little enthusiasm, never mind any expectation that what has been promised will ever eventuate. Metaphorically speaking, we'd like to take that old lady's stick and whack it across the heads of MPs from all sides. Cynicism tops the ticket . . ."

It was the Communist Manifesto, Karl Marx's brainchild published in 1848, which stressed that heavy, progressive taxation was a vital ingredient of the drive to a centrally-controlled sovietised state. John Maynard Keynes claimed that, once a nation taxed more than 25 percent of the income of the people it was well on the way to a socialist system.

Yet, in the debate which Prime Minister Howard claims to be about the greatest reform in Australia since Federation there has been no mention about the limits to taxation. In one interview he claimed to have always been an advocate of low taxes, which must have caused bitter merriment among his audience. The essence of the Coalition's GST proposals was summed up succinctly by the *Sydney Morning Herald's* Alan Ramsay:

"Along with the \$13 billion tax cuts from July 1, 2000, comes a new tax that will cost you \$27 billion. Thus, on average, for every one dollar in lower income tax, you'll pay two dollars in the new goods and services tax . . ." (SMH, August 14th)

Adding together the taxes taken by the three tiers of government, direct and indirect, each Australian now pays an average \$9,300. Thus an average family of father, mother and two children has a tax impost exceeding \$37,000 per annum. All of this ultimately finds its way into prices. As incomes increasingly fail to cover the price of essential living requirements the demands for welfare increase. Government is thus able to justify the tax increases which cause the dislocation and misery in the first place.

A society under Labor or Coalition which fails to rectify a situation where over 40 percent of the nation income is taken in direct and indirect taxation has a very limited future. It has sounded the death-knell of more than one civilisation in history. There is no sign that either of the major parties in this election has the knowledge or intention to face up to this issue. It may gain a brief breathing space by continuing the sale of Australian assets to cover an ever-growing shortfall. But, like old Mother Hubbard, Australia's cupboard is almost bare.

The only certainty in this election is that the polls are almost as confused as the electorate. There is little doubt that the protest vote is being down played. Commentators would have us believe that Pauline Hanson's One Nation is slipping into insignificance. But the hypocritical appeal from both John Howard and Kim Beazley for the first preferences of One Nation voters indicates that both believe Pauline Hanson's party could yet be the decisive factor. A volatile protest vote is going to be a feature of this election.

AN APPALLED WORLD TRANSFIXED BY FINANCIAL CHAOS: So far the United States and Western Europe have withstood the financial crisis in S.E. Asia, Eastern Europe and parts of Latin America. They have partly done so by the use of the International Monetary Fund to rescue western lenders from the crisis for which they bear a heavy responsibility.

But a new phase is beginning with the narrowly-averted collapse of America's largest hedge fund, Long-Term Credit Management, with a \$90 billion exposure. Only direct intervention by Federal Reserve Chairman Alan Greenspan saved the hedge fund from collapse. This has drawn attention to the 1,300 hedge funds in the world which face the same exposure. Most hedge funds have lent money to fund the massive speculation 'bubble' on the world's stock markets, now having no connection with the world's productive systems.

One of those most affected by the rocking hedge funds is Japan, whose banks have a huge debt exposure in the speculative bubble. One estimate is that Japan needs somewhere in the vicinity of \$A3.4 trillion to stave off the collapse of its entire banking system.

The bailout in the United States has sent shockwaves through international stock markets. The collapse of one hedge fund would have a domino effect capable of going through its 1,300 fellows. Banks, stock markets and industries would keel over in its wake.

The Australian Financial Review in its weekend edition (September 26th-27th) devoted several pages to the dangers of the current position, quoting on its front page as follows:

"One senior equity market strategist, speaking anonymously because of his firm's participation in the LTCM bailout, said: 'My feeling is that there is a lot more to come. This is the biggest financial crisis this market has seen for a long time.'"

Describing the crisis in Japan, Tony Boyd, in the same issue, concluded:

"The situation in 1998 is more serious than 1927 – when 34 banks closed in two months – because banks now play a much larger role, with total lending equal to 130 percent of GDP . . ."

There is now no doubt that, in a few short months, Australia will be faced with a complete collapse of its traditional export markets, with a heavier burden on industries, workers and consumers than we have seen for a very long time. Yet there has been no indication that either of the contenders for Federal office have any sort of strategy to safeguard Australia in what lies ahead.

VICTORIA'S GAS EXPLOSION: The tragedy of the ESSO gas explosion at Longford, which has thrown the State into chaos, with the closure of factories, services and catering facilities, is one more example of a flouted principle.

It was the revolutionary architect of Communism, V.I. Lenin, who saw the enormous advantages for political and economic control which lay in centralised energy systems. He stressed that a unified electricity grid was an essential mechanism for the 'hands-on' direction he required.

Only older Australians would remember the time when even small towns produced their own energy as an organic feature of decentralisation. Local communities took pride in the local power station. The first town with street lighting in Australia was not one of the capital cities, but the small northern New South Wales town of Tamworth. Victoria's Nagambie produced its own hydro-electricity from the water flowing over the weir. Many towns in every State had their own gasworks. A breakdown in a local community had a negligible effect on State economies.

The deliberate policy of massive central energy systems has produced a vulnerability which should never have happened. Australia is now contemplating one electricity grid covering the whole Eastern seaboard. Increasingly, these are being privatised, predominantly under foreign ownership.

The results are not encouraging. Auckland's lengthy power shutdown in New Zealand is a case in point. Queensland has now had a series of power failures, the latest producing blackouts in much of the State due to a failure in the Rockhampton power station. Political inquiries, and promises that "it won't happen again", have not produced increased confidence.

The situation in Victoria, where hotels and restaurants hundreds of miles away cannot cook a meal or heat water because of the Longford explosion, is a potent argument for "Small is Beautiful".

Back to small local councils, self-sufficient communities and genuine decentralisation is a message which even leaders as obtuse as Jeff Kennett may have to consider before long.

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WHAT WE SEE IS NOT WHAT WE'LL GET by David Thompson:

The last Federal election campaign of the millenium (we hope) has been more "presidential" than ever before. This is a function of both centralised government and voter disgust.

As more and more decisions are taken at a higher and higher level, the office of Prime Minister becomes ever more important. The entire campaign has focused as never before on the "leaders".

This is also partly because it has become progressively impossible to finance election campaigns from the "grassroots". Public funding for election campaigns was introduced long ago – the reason (or excuse) being that it makes the political party less susceptible to bribery and corruption by well-financed special interest groups.

In fact, the reverse is the case. The public, being disgusted at the compulsion to finance a process with which they identify less and less, have virtually stopped donating to political parties at all. When was the last time a party fundraiser knocked on your door?

As a result of grassroots disgust, most of the money spent on the election campaign will be contributed by big business, or borrowed from the banks. Same thing, really. This is one reason why the blight of "economic rationalism" has such a strong grip on both major party groups: if big business is paying the pipes, it is also calling the tune.

Perhaps the most blatant example of this is the big business backing for Mr. Howard's GST. The Business Council of Australia spent millions of dollars promoting the GST as **the only** worthwhile tax reform. Not only that, but around the nation chambers of commerce and industry are advertising heavily to discourage a vote for minor parties (read "One Nation").

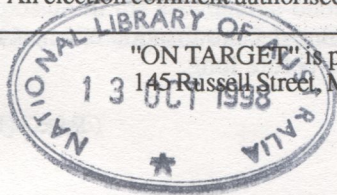
In their advertising, the Chamber of Commerce & Industry in WA is stressing the need for foreign investment, importance of the global market, the need for more exporting, the folly of tariffs, and how essential immigration is to provide a demand for housing, etc. The Chamber concludes with a warning: *"There's no future in a vote for minor parties."* If anything, such humbug is likely to result in even more votes for minor groups!

Alongside the big business "pitch" for even more "economic rationalism" is the carefully stage-managed campaign. It is estimated that \$15 million will be spent on television advertising alone in this campaign. The "image" of the leaders has been massaged and moulded. Mr. Howard has had his teeth capped and eyebrows trimmed. Mr. Beazley has been forced to lose weight, comb his hair and tuck his shirt in.

The interviews are also carefully rehearsed, with the party "spin doctor" selecting the best phrases for the TV "sound bite". No wonder the politicians look phoney, sound phoney, and are regarded as phoney by suspicious and sceptical voters.

The truth is, as we have known all along, the election campaign has no bearing on what will happen subsequently, no matter who is "elected" to govern. The present stage managed performance is overtly designed to move a sceptical and resentful electorate to a point of suspended reality for long enough to get their marks in the "right" boxes. After that, the bill will be in the mail, and business as usual.

All election comment authorised by David Thompson, 145 Russell Street, Melbourne, Victoria., 3000.



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