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:** *"Political language – and with variations this is true of all political parties, from Conservative to Anarchist – is designed to make lies sound truthful and murder respectable, and to give an appearance of solidity to pure wind."*

George Orwell, ***"Politics and the English Language"***, 1946

**GLOBAL PANTOMIME** by Jeremy Lee:

If it were not so serious, current gymnastics in the various global financial institutions and forums would make an excellent end-of-year pantomime. We now have not only a G-7 and a G-10, but a G-22 and a G-26. ***The Australian Financial Review*** (October 27th) said: *"Australia is fighting to maintain a seat at international negotiations on the creation of a new global financial system. Australia has been caught in the middle of a squabble between the US and the European Union over which international body controls the agenda for the talks . . ."*

Australia, apparently, is pushing for the G-22 to be the operative body, in which it has some say. But the US advocates the G-7, while the European Union prefers the IMF.

The Treasury Department's key international adviser, Mr. Neil Hyden, was quoted in the article:

*"'. . . . We are still talking a bit about the shape of the (negotiating) table, although there is broad agreement about the direction' . . . . He said it was likely a new agreement would eventually be reached between the IMF and the World Bank over the responsibility for the global financial system. The World Bank is responsible for monitoring the financial framework of developing countries, but it does not extend to industrialised economies. As a result of the global financial crisis, the IMF is keen to take a more direct role in such issues . . ."*

So the IMF has got to improve its image. A recent ***Wall Street*** Journal article (***AFR***, 26/10) said the IMF's image is now so bad it is hiring a PR firm to improve its looks! From the US Congress to the starving in Korea and Indonesia the IMF is not loved. A spokesman, Mr. Graham Newman, said: *"In some corners of the press we're not exactly winning a lot of plaudits"* – which would have to be the understatement of the year!

The truth is the whole globalism, free-trade policy is coming unstuck. Political leaders and economists who staked their reputations on its correctness are having to change direction without appearing to do so.

This was well captured by Geoffrey Barker (***AFR***, 29/10):

*". . . . . It is equally the case (as Mr. Howard somewhat reluctantly acknowledged) that 'we confront an unprecedented degree of instability in international financial markets'. Economic globalisation has combined with social and political factors to produce a crisis that does not seem capable of solution within the framework of the market economic orthodoxy so close to Mr. Howard's heart. Not that this intellectual crisis has shaken leading defenders of the orthodoxy. Despite the failure of most economists to predict the financial crisis or its spread and duration (a failure that destroys their claims to 'scientific' insight) they now freely offer policy prescriptions cast within and designed to protect their demonstrably inadequate theory. Their essential advice, echoed by Mr. Howard, is to stick with free trade, clean up corruption, advance more micro-economic reforms and strengthen international institutions, and the theory will eventually deliver the goods. The theory, in the words of the distinguished American economist Lester Thurow, has become 'an ideology rather than a set of working hypotheses used to understand the behaviour of the economy found in the real world'" . . . . .*

**MR. STANDFAST:** The tragedy of all this was revealed in the speech by Prime Minister Howard to the 10th International Conference of Banking Supervisors on October 22nd in Sydney. *". . . . . Recent financial instability and the growth of hedge funds and short-term money flows have revived fears of globalisation. APEC must stand against that view. Open markets provide the opportunity for economic growth and the enormous benefits from it. The worst possible response to the crisis would be to put up the shutters . . . . "*

One week after these remarks came yet another trade deficit of over $1 billion, adding further to the foreign debt. Any attempt to check this never-ending and sorry state of affairs would be *"an interference with free market economies"* – needed to bring "enormous benefits" to the Australian people.

Howard did concede, however, that there was a need to *"include standfast arrangements to prevent lenders from exiting economies in a destructive stampede, collective action clauses, orderly work-outs involving roll-overs, reschedulings and equity swaps"* . . . . . which is a convoluted way of saying the actions taken by Dr. Mahathir in Malaysia were right!

**PRESSURE FOR PROTECTION:** Howard's free-trade ideology notwithstanding, more and more pressure grows for protection. Joanne Gray, writing from Washington (***AFR***, 27/10) reported:

*"Facing a record trade deficit, the United States Government is pushing even harder for foreign markets to open to US exports. But the free trade message is being complicated by fresh demands for protection as waves of cheap imports from crisis-hit economies in Asia, Latin America and Russia flood US markets. The US steel, semi-conductor, and lamb-producing industries all sought protection from dumped goods in the past month – In August, the US trade deficit hit a record $US16.5 billion, and some economists predict it may surge to $US250 billion this year . . . . "*

That's just on $US1,000 for every living US citizen!

**BELATED AWAKENING ON DEFENCE:** Defence expert Paul Dibb (***AFR***, 30/10) made a point which former Kalgoorlie Member Graeme Campbell pioneered over two years ago: *". . . . . The Prime Minister is right to set up a task force to deal with the Asian financial crisis. But its proposals to help the Asian economies out of their financial crises may be pointless if the task force overlooks the security dilemma . . . . . "*

Paul Dibb described one possible view of the region *". . . . . would envisage a breakdown of order, stemming from the spread of serious economic problems to Japan and China, a global financial system that is incapable of assisting the region and – in the worst case – a downward spiral of protectionism, competitive devaluations, and such serious economic problems that political and social disintegration will occur in countries such as Indonesia. Such an outcome would have profound implications for our national security. . . . . "*

**THROWING TAX MONEY AROUND:** *"The Auditor-General, Mr. Pat Barrett, has called for a Parliamentary inquiry into party political advertising after his investigation into the Howard Government's decision to spend more than $14.9 million of taxpayer funds on promoting its tax reform package . . . ."* (***AFR***, 30/10).

It is almost predictable that such an inquiry, staffed by party politicians, would reflect party views. There wouldn't be a Coalition Member who would condemn the expenditure, and there wouldn't be a Labor Member who would support it!

So why not let the people who have to pay – the long suffering public – have a say? Or is that a little too close to democracy?

Meanwhile, the post-election handouts to all candidates who received more than 4% of the primary vote – again, paid by the taxpayer – have been finalised. The handouts were: ALP – $12,822,773.00; Liberals – $10,569,941.00; Nationals – $2,124,605.00; CLP – $111,070.00; Democrats – $2,003,250.00; Australian Greens – $140,470.00; The Greens (WA) – $163,490.00; One Nation – $2,860,405.00; Australia First – $24,016.00; Unity – $46,257.00; Other – $236,938.00; totalling over $31 million. Would the Australian people approve such an expenditure if they were asked?

**PITY THE BANKS:** Many were shocked to learn that, during 1997/98, the four major trading banks – NAB, ANZ, Commonwealth and Westpac – made over a quarter of all corporate profits in Australia between them. A feature article in ***The Weekend Australian Financial Review*** (1/11) made these points:

*"Over the next few weeks the chiefs of three of Australia's big four banks will announce the highest profit numbers ever recorded by 'the gang of four'. In aggregate . . . the big four are expected to have earned a total of $6.1 billion in profits after tax. That staggering figure is confirmation, if any were needed, that the 1990s has been the golden era for big banks in Australia. Over a decade . . . the four have expanded profits by almost 440 percent. In round numbers, the big-bank profits have grown three-and-a-half times faster than the economy as a whole . . . Bank lending over residential mortgages exploded from $63 billion to $189 billion over the 1990s . . . Over the 1990s the banks have cranked up account fees dramatically. In 1997 the big four earned $3.2 billion more from fees than they did at the start of the decade . . . The one area where banks can boost fee revenues relatively painlessly is in the market for EFTPOS transactions. Each EFTPOS transaction generates a fee (paid by the merchant) of roughly 20 cents, which is split between the bank that provides the merchant with the EFTPOS terminal and the bank which provides the consumer with the card . . . The one fact of life that Australian bankers can take for granted over the next two or three years is that the relentless rounds of staff reductions and branch closures that began in the early 1990s will continue until well after the decade is finished. So far this decade the big four have laid off more than 20,000 employees and closed nearly 1,000 branches. That's exactly the same effect as if one of the big four had shut up shop altogether . . . . "*

Almost as an afterthought, ***The Australian*** (30/11) had this to say:

*"The bank boss who was forced to apologise after declaring Australians should be thankful for their banking system yesterday remained defiant in his support for branch closures. Commonwealth Bank chief executive David Murray maintained yesterday closures were needed to keep the bank in a competitive position . . . . Mr. Murray said he was surprised about the backlash over recent branch closures in Sydney . . . . . The Local Government Association of New South Wales and several Councils have threatened to create alternative financial services if the banks continue their branch reductions . . . . ."*

Every bank branch closure forces customers to use electronic cards for their previously cash expenditure. On every transaction the banks charge a fee which didn't exist when cash was used. Why wouldn't you close branches if YOU were one of the "gang of four"?

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**DESTRUCTION OF LOCAL GOVENRMENT IN VICTORIA** by Phillip D. Butler:

The suspension of the Shire of Nillumbik elected Councillors by Victorian Local Government Minister Rob Maclellan came as no surprise to those of us who live in the municipality. Just that it was delayed – could have impacted on at least two Liberal Federal seats – until the time it has.

Like in many of the newly created municipalities through forced amalgamation – 210 to 78 – there were some real problems in Nillumbik. Nillumbik, for the most part, is the amalgamation of a very well run municipality of the Shire of Diamond Valley and the Shire of Eltham, which was in a shambles.

Prior to the sacking of all Councils in Victoria, those of us fortunate to live in Diamond Valley had had no rate increases for nearly three years; all capital works and services were being paid out of existing income and, even better, the debt load was due to be totally retired in two years. Not the same case over in Eltham. Diamond Valley also had three elected Councillors per riding, as did Eltham, with each one elected for a three year term – one up for election every year so there would be continuity.

Then, with the great drive for rationalisation (centralisation), both shires were amalgamated – we ended up with only five Councillors for the whole municipality. Three of them had been involved in Eltham – including Robert Marshall, a long-time Labor/Green supporter and admitted centralist. This all in the name of "efficiency".

This all without any referendum. In 1978 Premier Kennett, then Opposition Leader, had used his numbers in the Upper House to block Labor from doing exactly what he has now done. At that time he stated that so long as he was leader of the Liberal Party there would be no amalgamation of any municipality without a majority in each municipality voting in a referendum agreeing to be amalgamated. Sounds like John Howard on the GST that he would "never, never" impose such a tax!

Local government is the closest structure to the people where ratepayers, through their elected representatives, can get the desired results. Most men and women who serve on local councils did so as a service to their community. There were no perks or lurks, no salary – President of Nillumbik was on $50,000 per year, fully funded automobile, mobile phone and expenses. Councillors $12,000 plus mobile phone and expenses.

However, Premier Kennett in his ruthless drive for his so-called "efficiency" at the municipal level is fast destroying community based government as can be seen right around Victoria. There is no effective opposition as the Coalition controls both houses, and certainly Labor are only complaining about methods, not the end result of further centralisation.

In 1978 Mr. Kennett was a great believer in referendum – he again is for Nillumbik! At a meeting in Diamond Creek he offered the ratepayers (***Diamond Valley News***, 28/10/98) ***"A referendum on to either keep the commissioners, re-elect the Council or carve up the Shire among its neighbours"***.

How cynical! The words of a man who would prefer to either have a council which was answerable to the State Government – and big business, or even better get rid of a troublesome council and further centralise power. This is Mr. Kennett's selective democracy in action! I would suggest the Liberals, and in particular the Nationals who have sold out the smaller rural communities, will at the next State elections feel the full impact from disgruntled Victorian electors.

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