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: "Publicity & Credit: We are witnessing in the world today the culmination of an age long conflict between reality and superstition. As far back as history extends, superstition has been used as a tool, perhaps the most powerful tool, to hold humanity in bondage. I am strongly of the opinion that its last fortress is in finance. What I might call the hypnotism of money, the idea that it was a thing in itself, and that its plentifulness or scarcity was a controlling factor in the prosperity or adversity of each one of us, has, while inflicting untold misery on millions, placed almost unlimited power in the hands of the witch doctors who were custodians of its secret. If those days are not over yet, I still believe them to be passing very quickly. I think that the day is coming very soon when neither publicity will control credit, nor credit be able to control publicity, but that both will be servants of reality." – C.H. Douglas, *"New Britain"*, January-March, 1933

INFLATION VIS-À-VIS THE NATIONAL DIVIDEND by Anthony Cooney:

Following on from last week's "Modern Commercial Credit" and Diane Boucher's Social Credit discussions, we offer Anthony Cooney's input. He develops the subject further.

He writes: "As the question of Inflation vis-a-vis the National Dividend has come up, I offer a few suggestions.

First: I regard the definition, "Inflation is too much money, chasing too few goods," as the "Romantic Theory of Inflation." It supposes either a degree of intelligence exchange between retailers which simply does not happen, or alternatively a uniform reaction of retailers to a measurable increase in public spending power; which is to suppose a great deal indeed! This Romantic Theory of Inflation was a staple of UK Ministry of Information propaganda throughout the last war.

Dior's 'New Look' exploded the fallacy: There was even a cartoon character who, observing two people looking at the same article in his otherwise empty shop window, hastened to change the price tag to a higher one. "Too much money chasing too few goods" became a mantra which is evidently still causing us problems. Oddly enough nobody could find the "too few goods"; shop windows and counters remained reasonably full and I have never met anyone who considers that they have too much money!

In fact the fallacy was exploded in 1948 when Dior introduced the "New Look" in women's fashions. The ready-made clothing industry was faced with disaster, for, as quickly became manifest, not merely the Department Stores, but also the Warehouses, were stacked with clothing, withheld from the consumer by rationing, and not by "too much money."

Clothing coupons were abolished, literally overnight, by announcement on the BBC and the Department Stores launched mammoth sales to get rid of obsolescent stock.

So, what is the Douglas definition of Inflation? It is "An increase in the supply of money *accompanied by an equal increase in prices*."

That is not a Romantic Theory, it is a mathematical theorem which can be demonstrated by the A+B Theorem which shows that *all* costs (including taxation) must be recovered in prices. **Increases in costs result in increases in prices as cause to effect.**

Either Douglas was right, or Douglas was wrong. If Douglas was wrong that does not mean that either Keynes or Friedman were right. The results of implementing their theories argue strongly that they too were wrong. It might be that everyone is wrong, which leaves us with the Copernican/Lockian theory that money is a *natural* phenomenon, subject to the Laws of Nature as much as are the wind and tides. In which case there is nothing anyone can do about it except endure The Tragedy of Human Effort. Is there anyone who still seriously propounds the Copernican/Lockian theory?

We might here consider what is the object of the National Discount? Now I don't think it is what we all assume it to be--namely to reduce prices – that is an *effect* of the Discount. **Its forgotten object is to eliminate the detritus of past costs (the "costs" of dead labour) from current prices, thus achieving "The Just Price," that is the cost of all the consumption incurred in production.**

Let us remember that Social Credit has a political theory as well as a monetary theory. Any "method" of implementing Social Credit should be measured against the political axioms, and the first of these is:

"The Administration must not have access to the National Credit, save by the consent of the Commons in Parliament/Congress who accept, or reject the Administration's 'Bill'."

Put another way, the Administration's revenue ought to come entirely from approved and accepted taxation – preferably directly of the banking system, as I have suggested in the Abolition of Income Tax.

Apropos that the New Zealand Democratic Party for Social Credit have announced a very similar policy: Financial Transaction Tax (FTT)

Our policy will:

- Replace GST (VAT) income and company tax with a financial transactions tax.
- Set the level of transactions tax at a low percentage.
- Relieve businesses of compliance costs when GST is phased out.
- Collect the tax through data bank facilities on every bank transaction.
- Make the total amount of revenue raised available for Government spending as there will be no collection cost, just bank transfer.
- Automatically increase everyone's spending power as the GST level is far higher than any transactions tax need be.

Further details from www.democrats.org.nz

TRADE FACTS – US Australia Free Trade Agreement: The following is a brief summary of what the Office of the United States Trade Representative, Washington, DC, thought of the Australia-America Free Trade Agreement, as posted on their website February 8th, 2004:

"'Two-way annual Goods and services Trade with Australia is about $28 billion, and the US has

a $9 billion trade surplus with Australia. Australia is America's 9th largest goods export market.'

An FTA for America's Manufacturing Sector: More than 99 percent of US manufactured exports to Australia will become duty-free immediately upon entry into force of the Agreement. This is the most significant immediate reduction of industrial tariffs ever achieved in a US FTA, and will provide benefits for America's manufacturing workers and companies; US manufacturers estimate that the elimination of tariffs could result in $2 billion per year in increased US exports of manufactured goods. There will be significant benefits for such key US manufacturing sectors as autos and auto parts; chemicals, plastics and soda ash; information technology products; electrical equipment and appliances; non-electrical machinery; fabricated metal products; construction equipment; paper and wood products; furniture and fixtures; and medical and scientific equipment.

New Opportunities for US Farmers: All US agricultural exports to Australia, totalling more that $400 million, will receive immediate duty-free access. Key agricultural products that will benefit from immediate tariff elimination include processed foods, soups and bakery products, fruits and vegetables, dried onions, fruit and vegetable juices, dried plums, potatoes, almonds, tomatoes, cherries, raisins, olives, fresh grapes, sweet corn, frozen strawberries, and walnuts. Food inspection procedures that have posed barriers in the past will be addressed, benefiting sectors such as pork, citrus, apples and stone fruit.

Sensitive to Agricultural Concerns: The FTA is sensitive to concerns that have been expressed by Congress and US beef and dairy farmers, and the agreement uses tariff-rates quotas (TRQ) to respond to these concerns while increasing trade. Beef: US above-quota duties will be phased out over an 18-year period, and initial increased imports from Australia under the TRQ quota will amount to about 0.17% of annual US beef production, and 1.6% of annual US beef imports. The quota increases will take effect when US beef exports return to their 2003 (pre-BSE) levels, or three years after effective date of the agreement, whichever comes first. Safeguards will be available, including a price-based safe guard after the transition period. Dairy: There will be no change in the US MFN above-quota tariff on dairy products subject to quotas, and initial increases in imports from Australia under the TRQ quota will amount to about 0.17% of the value annual US dairy production, and about 2% of the value of total U.S. dairy imports.

Access to Services and Investment: Australia will accord substantial market access across its entire services regime, offering access in sectors such as telecommunications, express delivery, computer and related services, tourism, energy, construction and engineering, financial services, insurance, audio/visual and entertainment, professional, environmental, education and training, and other services sectors. In broadcasting and audiovisual services, the FTA contains important and unprecedented provisions to improve market access for US films and television programs over a variety of media including cable, satellite, and the Internet. Most US investments would be exempted from screening by the Australian Foreign Investment Review Board.

Recognizing the Importance of innovative Pharmaceuticals: The US and Australia note the importance of ongoing research and development; of recognizing and appropriately valuing the therapeutic benefit of innovative drugs; and of transparent, expeditious, and accountable procedures. In implementing these principles, Australia will make a number of improvements in its Pharmaceuticals Benefits Scheme (PBS) procedures that will enhance transparency and accountability in the operation of the PBS, including establishment of an independent process to review determinations of product listings. The FTA establishes a Medicines Working Group to further promote the agreement's public health principles through an ongoing dialogue between the United States and Australia. In addition, the US Food and Drug Administration and the Australia Therapeutic Goods Administration will work together to make innovative medical products available more quickly.

Open and Fair Government Procurement: US suppliers are granted non-discriminatory rights to bid on contracts from 80 Australian central government entities, including key ministries and government enterprises. These commitments are particularly significant and commercially important, because Australia is one of the only developed countries that is not a party to the WTO Agreement on Government Procurement. Both countries are also committed to extending coverage of the agreement to sub-central entities, and will be working with their respective states to refine the extent of the coverage in the next few weeks. Australia will eliminate its central government industry development programs, under which suppliers have had to provide various types of offsets as a condition of their contracts.

A Trade Agreement for the Digital Age: US and Australian authors, performers, inventors, and other producers of creative material will benefit from the higher and extended standards the FTA requires for protecting intellectual property rights such as copyrights, patents, trademarks, and trade secrets and enhanced means for enforcing those rights. The agreement calls for each government to adopt state-of-the-art protection for digital products such as software, music, text, and videos, and encourages adoption of measures to promote trade through electronic commerce.

Strong Protections for Worker Rights and the Environment: Ensures effective enforcement of labor and environment laws and establishes labor and environmental cooperative mechanisms.

Increased Transparency: The agreement's dispute settlement mechanisms call for open public hearings, public access to documents, and the opportunity for third parties to submit views. Transparency in customs operations will aid express delivery shipments and will require open and public processes for customs rulings and administration."

NADER AND ANTI-DEFAMATION LEAGUE 'LOCK HORNS' from *The Washington Post*, August 12th, 2004: Ralph Nader, that master of controversy, has a new bete noire: the Anti-Defamation League. The independent presidential candidate has become embroiled in an ugly exchange with the Jewish organization, after he suggested that President Bush and Congress were "puppets" of the Israeli government.

"The days when the chief Israeli puppeteer comes to the United States and meets with the puppet in the White House and then proceeds to Capitol Hill, where he meets with hundreds of other puppets, should be replaced," Nader said earlier this summer. That prompted an angry letter from the league, which complained that the "image of the Jewish state as a 'puppeteer,' controlling the powerful US Congress feeds into many age-old stereotypes which have no place in legitimate public discourse."

Nader is not backing down. In a letter to the group that will be released today, he reiterated his arguments, challenged the league to cite a recent example of when American leaders have pursued a policy opposed by the Israeli government and pointed to Israeli peace groups that he said share his criticism of that country's leadership. "There is far more freedom in the media, in town squares and among citizens, soldiers, elected representatives and academicians in Israel to debate and discuss the Israeli-Palestinian conflict than there is in the United States," Nader wrote.

The longtime consumer advocate's willingness to criticize Israel may win him some votes, since both Bush and Democratic nominee John F. Kerry strongly support Israeli Prime Minister Ariel Sharon. But not if Abraham H. Foxman, the national director of the league has anything to say about it. "What he said smacks of bigotry," Foxman said.

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