A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK:

Those whom the gods wish to destroy, they first load with debt. Yesterday, Alistair Darling, the Chancellor, loaded the British economy with the highest level of debt ever recorded – a £512 billion mountain, stretching out to 2015. That, and the total for public sector net debt smashing through £1trillion in 2012-13, are history-making figures. Amid the leaked cut in VAT to 15 per cent and the leaked rise in tax for the well-off, it was the numbers on debt that visibly shook MPs at Westminster yesterday. The red-ink numbers dominated a defining Budget of this government that was designed to rally confidence and stimulate spending.

– "Borrowing our way out of debt!" by Bill Jamieson, 25 November 2008

Source: http://thescotsman.scotsman.com/latestnews/A-sixyear-500bn-bet-on.4726593.jp

Washington has accelerated attempts to avert a deep and protracted recession by earmarking another $800 billion to bail-out America's fractured credit markets. The sum is additional to the $700 billion worth of taxpayers' money approved by Washington last month to rescue America's banks. The latest bailout was announced as it emerged that the U.S. is plunging into a recession far faster than Wall Street had expected. New official data showed that the world's largest economy had shrunk at its fastest rate than at any time since the terrorist attacks of 2001.

The revised GDP figures for the third quarter of the year that indicated the U.S. economy had contracted by 0.5 per cent came as other data provided gloomy evidence that Americans have stopped spending.

– "U.S. injects further $800bn to kick-start lending" Suzy Jagger, New York

Source: *Times Online*, 25 November 2008

"It is our duty to shop until we drop. Monuments will be erected in shopping malls to commemorate those selfless types who, though maxed out, still went over the top into a hail of special offers with faith that "Your country needs you".

On memorial day each year there will be 10 minutes silence, as future generations ponder the sacrifice of the fallen and we will forever sing nostalgic songs such as "I've Forgot My Pin Number" and "Where's My Fiscal Stimu-la-la-la-las". Never was so much spent by so many, to save but a few."

SAVING WESTERN CIVILISATION PART III by James Reed: Resisting the treason of the intellectuals: Many Christian thinkers have felt that there is something fundamentally wrong with the modern world. Hilaire Belloc compared Western civilization with the civilization of ancient Rome and he said in his essay 'The Barbarians' (In *One Thing and Another* (1955)): "[Rome] was undermined from within by very much the same forces which are destroying the supports of our own traditional culture." Belloc went on to say that those forces are "the forces of contrast between well-being and indulgence, coupled with the contrast between freedom and servitude and enforced by the contrast between human and inhuman relations." ***This has provided a sense of cosmological and metaphysical "homelessness" in modern man.***

In the West, all that gave meaning and stability to previous generations – God, race, family, nation – is under attack and "deconstruction". A liberal-Left elite, but one increasingly in harmony with the economic globalist Right, is particularly hostile to mainstream Western societies and has sought to change their ethnic and racial natures through large-scale non-White immigration. These "new class elites", comprising academics and other "intellectuals", have largely abandoned the quest of pursuing the Truth, and see reality as a social construction: one in which they as masters of language, can manipulate. The new class elites are hyper-individualists, believing that society does not exist – and they do their best to make that a self-confirming prophecy. However, the new class is silent about the collectivistic nature of the entities which are to replace the nation-state: transnational corporations, financial institutions and wealthy cultural and ethnic groups.

Central to the hatreds of this new class is the legacy of Christianity and the heritage of England and the English. In his book *"America's British Culture"* (Transaction Publishers, 1993), Russell Kirk sees the new class' creation of multiculturalism as "animated by envy and hatred... Detesting the achievements of Anglo-American culture, they propose to substitute for real history and real literature – and even for natural science – an invented myth that all things good came out of Africa and Asia (chiefly Africa)" (p.92) This is reinforced by the juggernaut of Third World immigration, which will make American whites a racial minority long before 2050. In a 1998 speech Bill Clinton celebrated this demographic swamping thus: "The driving force behind our increasing diversity is a new large wave of immigration ... because of immigration there is no majority race in Hawaii or Houston or New York City."

For some more conservative intellectuals, the potential for chaos to arise from this demographic replacement is too important to ignore, political incorrectness or not. Thus the respected social and political theorist Arthur M. Schlesinger in his book *"The Disuniting of America"* (Norton, 1992) has said: "On every side today ethnicity is the cause of the breaking of nations." (p.10). And "The hostility of one tribe for another is among the most instinctive human reactions." (p.10). "Mass migrations have produced mass antagonisms from the beginning of time." (p.10). "Ethnic and racial conflict, it seems evident, will now replace the conflict of ideologies as the most explosive issue of our times" – all of this on page 10 of his book!

But none of this leads Schlesinger to be critical of American immigration; indeed he takes the common multicultural position that America has been multi-ethnic from the beginning, although inconsistently he says that America "was inescapably English in language, ideals and institutions" (p.14) and "the majority of the populations of the 13 colonies and the weight of its culture came from Great Britain". (p.27). Schlesinger is concerned about non-White minorities rejecting the ideal of "one America" and going down the road of racial separatism, but he hopes that inter-racial and inter-ethnic marriage will produce "one people". Like most intellectuals, he ignores the real possibility that this race-mixing will only produce further fragmentation.

Julien Benda in his book *"La Trahison des Clercs"* (1978) (*"The Treason of the Intellectuals"*) attacked the intellectuals of his day for abandoning disinterested scholarship and pursuing nationalist agendas that he predicted (correctly), would lead to war. In those days the nation-state was the highest economic unit, so the intellectuals naturally prostituted themselves to it, but today they worship either the global marketplace, or the "global community" (of intellectuals). The intellectuals are a "new class," the "idea crunchers" and "rootless cosmopolitans".

They exist at a lower level of power in the pantheon of the gods of capitalism than the "super class" of "money crunchers" or "nation breakers" of chief executives and the like. Sitting above them are the global financial elites who control the financial fate of the world.

As shown by Paul Johnson in his book, "Intellectuals" (1988) through an examination of the lives of a multitude of intellectuals, including Bertrand Russell, Jean-Paul Sartre, Ralph Waldo Emerson, etc., intellectuals have usually been hypocrites, liars, sexual perverts, morally corrupt and brutal. Many liberal-Left intellectuals, like Bertrand Russell and Jean-Paul Sartre have displayed a shocking degree of misogyny. Both men were cruel and deceptive to their women (wives and lovers). Sartre's passion for sex was a great as his passion for alcohol and barbiturates. Sartre wrote a preface to the Africanist Frantz Fanon's *"Les Damnés de la terre"* (1961) where he said that for a black man "to shoot down a European is to kill two birds with one stone, to destroy an oppressor and the man [who] oppresses at the same time." (Johnson p.245)

Black American conservative, Thomas Sowell in his paper "Intellectuals" rightly mocks the idea that an Obama administration will end America's "anti-intellectualism". There are, he points out, good reasons for suspicion about the intellectuals. They were wrong about Communism and many simply lied about the politically-caused famines in the Soviet union. Further more, intellectuals are often the slaves of ideology and follow that rather than the argument and the pursuit of truth.

Today the traditional university is long dead. In Australia our universities have become degree factories serving the elite of Asia. In this context, it is crucial that movements such as the League exist, not only to preserve books that the Establishment flushes down the memory-hole, but to provide a weekly commentary on the news where, to the best of our abilities, the ideas and ravings of the new class elites are opposed. It is vital to our resistance to the tyranny of our times that such a process of critical discourse continue, because there is no other source for it. In a sense, movements like the League can take the place of the traditional university, keeping the flame of knowledge burning, in the new Dark Age, which we are now in.

FREDRICK TOBEN RELEASED AFTER 50 DAYS IN BRITISH JAIL: Victory for Revisionism, David Irving reports on his website 20/11/ 2008. Fredrick Töben was released from jail in London because the cowardly government lawyers dropped their appeal. He will return to Australia. The government's probable reasoning: The application of the European Arrest Warrant to somebody who had broken no British law was barmy. The present Attorney General, Baroness Scotland, went unambiguously on record in 2003 in the House of Lords, assuring that such an application would not be possible.

DERIVATIVES: SITUATION WORSE THAN GOVERNMENTS ADMITTING: Readers will remember ***On Target*** Vol.44 No. 38 ("Governments Saving Corrupt Banks – To Hell with The People!") dealt with the 'derivatives' scandal, tracing the origins of such trades and seeking to discover what was the real situation – not what our financial, political and intellectual elites would have us believe. We explained the derivatives markets create nothing, but serve to enrich non-producers at the expense of the people who do create real goods and services. In the US early in the 1990s derivatives trading was challenged as being an illegal form of gambling, but the practice was legitimised by the then Federal Reserve chairman Alan Greenspan. From then on the derivative trades grew exponentially until they became larger than the entire global economy.

In fact at the time of reporting, the Bank of International Settlements had disclosed the total derivatives trades exceeded one quadrillion dollars – that's 1,000 trillion dollars. At the time, the gross domestic product of all the countries of the world was about 60 trillion dollars.

Derivatives explained: Mr. Will Peden of Robe, South Australia (e-mail: wm@robewaterfront.com.au) has put out a paper explaining the derivatives markets. He writes: "Derivative markets are where participants can bet on where they think a currency, exchange rate or any one of a number of markets will be at a future date.

Derivatives can be useful to hedge (or insure) where there is a risk to a bank. For example if an Australian bank borrows money from the U.S., in $US to use the money in Australia, it can be prudent for the borrowing Australian bank to hedge (insure) against the currency risk when the money needs to be repaid. If the $A rises in value against the $US in between borrowing and repayment, then the borrowing bank will make a windfall profit on the deal because it will not have to pay as many Australian dollars to repay the principle. Conversely, if the Australian Dollar falls in between borrowing and repayment, the borrowing bank will suffer an exchange rate loss on the deal. To remove this risk, of both a profit and loss, the bank can hedge its position in the derivatives market. The problem is that banks around the world haven't just been hedging (insuring) in this market. They have been gambling.

The scale of the problem: Australian Banks have a combined exposure of $13,785 Billion (or $13.785 Trillion) to derivatives and other "off balance sheet business" as at 30 June 2008. These are the most recent figures publicly available. Readers can verify these figures by getting a copy of the *Reserve Bank Bulletin*, September 2008, and look at Table B4, and it is the last figure on the page. The source is credited to APRA or the Australian Prudential Regulatory Authority.

This is their exposure, not their turnover. It is unfortunate that the banks' combined exposure has been increasing, even in the past year.

To get this figure into perspective the total shareholder equity of the banks at the same date was a mere $129 Billion (or $0.129 Trillion). The total shareholder equity in our banks is less than 1% of the banks' combined 'off balance sheet' exposure.

In Australia the banks may claim that they are hedging however the size of their derivative positions dwarfs their total assets ($2T table B2) so this argument doesn't hold water.

'Counter party failure': If there is counter party failure (this is where the bank, hedge fund, etc., at the other end of the deal goes broke) of even 1% of these positions, then the whole equity of our banks is gone. The reason that governments around the world are preventing banks failing is that if one bank folds, the counter party failure will ensure the domino effect around the world causing most banks to fail. The ironic thing is that it is the banks with severe exposure that are being saved. i.e. the ones that have gambled the most.

Bet the wrong way: A 'significant bet' that goes the wrong way, that results in a loss of 1% of the total exposure, will have the same result.

Public awareness and the markets: People who know about these issues. Some senior bank people and government people certainly know about this exposure as do well-informed market traders. More and more trading people have been finding out and when they understand the problem they have been dumping shares, especially bank shares. With the exception of two articles in *The Australian* earlier this year, the public don't appear to be aware of this risk to their investments. The main articles in *The Australian* were: "Bomb ticking for off-balance banks" by Adele Ferguson, Monday, 18/2/08, on page 36. "Gambles in the balance" by Adele Ferguson, *Week End Australian*, 8-9/3/08, page 26 of the Inquirer section. Other articles have included updates since then.

Continued in The Bulletin

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