A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK:

"Supporters of the League of Nations (forerunner of the United Nations) are not at all animated by humanitarian motives. The well-meaning, if somewhat unthinking, majority want quite genuinely to make the world safe for mankind in general, it is true; but the cleverer minority who determine the policy of the League of Nations are more concerned about making it safe for International Finance: and this they hope to do by taking from the nations the capacity for effective resistance, and reducing them to a state of impotence... The League's policy is a banker's policy: the record of its activities proves that.

– "An Outline of Social Credit" by H.M.M. 1929

"Global leaders took their biggest steps yet toward a new world order that's less U.S.-centric with a more heavily regulated financial industry and a greater role for international institutions and emerging markets....

At the end of a summit in London, policy makers from the Group of 20 yesterday delivered a regulatory blueprint that French President Nicholas Sarkozy said turned the page on the Anglo-Saxon model of free markets by placing stricter limits on hedge funds and other financiers. The leaders also pledged to triple the resources of the International Monetary Fund and to hand China and other developing economies a greater say in the management of the world economy."

– "G-20 Shapes New World Order With Lesser Role for U.S., Markets" (Bloomberg), 3/4/2009

SO YOU THINK YOU CAN FINANCIALLY MANIPULATE? by James Reed: There is a TV show on at the moment that seems to consist of a large number of male black dancers, teamed up with a white female partner, who do astonishing dance moves. But as politically correct and as trendy as this may be, it is nothing compared to the dance moves being done by the No.1 rap-president, Barack Hussein Obama.

At a time when the World Trade Organisation is warning that world trade will nose-dive 9 per cent this year and the IMF has stated that the global recession will be worse than an 0.5 to 1 per cent contraction, Obama has made Wall Street the 'saviours of the world' (Wall St Villains Now Saviours", T*he Australian*, 25/3/09, p.1). Obama has done the unbeatable dance moves for the global financial elite!

Yes world stocks "surged" after Obama put his baseball cap on back-to-front and changed his rap song from Wall Street fund managers are villains to wall Street fund managers will be the 'saviours' of main street. Obama's scheme, one of the greatest cons ever pulled over the eyes of the American sheeple, is for the Wall Street fund managers to buy US$1 trillion of "toxic" assets, primarily U.S. mortgages and primarily from minorities who were given housing loans which they had no chance of repaying. The financiers will do so, bleeding the U.S. taxpayer at a rate of US$6 of the government debt to US$1 in equity. All this will do is allow hedge fund executives to become richer without in any way addressing, even in conventional financial terms, the real structural weaknesses in the U.S. economy.

Some white Republican mice have however been carefully making tiny little squeaks that the big Obama's US$3.6 trillion budget plan will send the U.S. bankrupt. Although, when it suited him, Obama had slammed executives at the now tax-payer AIG, Obama's tone is now: "[We] can't afford to demonise every investor or entrepreneur who seeks to make a profit."

Why not? I demonise them all the time! Oh, sorry, you can't keep up your token rhetoric Barak, because you are the financier's toy. And of course, you are the president of American decline, to you are fulfilling your assigned historical role.

Big Kev 09 McRudd, while over in Washington DC (dance capital) listened to a few dance tracks with Barack, was more cautious about the likely success of Obama's scheme. There would need to be a similar mad scheme put in place in the U.K. and across Europe. But then in the U.K. Gordon Brown's government can't afford to do this. Then there is the problem of more "toxic" assets flowing into the global sewer from central and eastern Europe. I am pleased with this image of filth, toxics and sewerage, used freely by politicians and financial writers to describe the global economy and financial system. A little earthy and crude, but very appropriate.

One of the signs of the times of America's end of empire is the call by China's central bank governor Zhou Xiaochuan, for a new currency to replace the U.S. dollar as the world's monetary standard. This was an early indication that up-and-coming powers such as China are not pleased with the global financial *status quo* where the U.S. economy floated on because foreigners purchased their debt. In his recent book "When Giants Fall: An Economic Roadmap for the End of the American Era" (Wiley, New York, 2009), Michael J. Panzer, author also of "Financial Armageddon" (Kaplan Publishing 2008), points out that such moves represent a sign of American decline. The U.S. is no longer the dominant global power and China and others such as India are set to use U.S. debt "as a geopolitical weapon, despite the great harm that would also cause to the attacker's own economy." (p.68)

Panzer says about the fall of the American empire that "For many Americans, the years ahead will be nothing short of a modern Dark Ages, where each day brings forth fresh anxieties, unfamiliar risks, and a deep sense of foreboding."

The resource depletion produced by globalisation is already leading to hostilities with China, Russia and India, with more to come in the future. IMF Managing Director, Dominique Strauss-Kahn may agree with this. At an anti-crisis meeting in Tanzania on 9 March 2009 he said that the present global financial "crisis" is already throwing millions into poverty and that civil unrest could be sparked : "the threat of civil unrest, perhaps even a war."

I don't know about you but I am detecting more and more traces of this suggestion; the financial elites ultimate use of war as a clearing ground when their monster, capitalism, gets into trouble, allowing them to profit in true Mother Courage style. Don't let your sons die in the war they want to come!

Financial speculator, George Soros ("The Deal", *The Australian*, March 2009) has had "a very good crisis". Seeing the crash coming (the top financial elite control the "crisis" so how could they possibly miss out"), he has done well. Now he is gloating about how he helped Obama, through maximum financial donations in June 2004, before Obama had been elected to the Senate. Then he "urged Obama to run for president" and when Obama did Soros organised a meeting between all the players and other Wall Street bankers. Soros is so self-confident that he can even engage in a token bit of criticism of financiers, like himself, who have profited from "ideological excess (of) market fundamentalism."

"All hell will break loose," he says if governments allow markets to correct themselves and allow financial speculators like himself, free reign. That will not happen as long as the current financial system exists. Obama has shown that he is not a "man of the people" but a shallow puppet of international finance. That, of course, is what he was created to be.

To end on a positive note: "It's Time They Knew" (1967)** by D.E. Barclay-Smith is a little book that was distributed by the League of Rights In clear and simple terms Barclay-Smith told us that banks created financial credit against the real productive wealth created by the people. In the so-called fractional reserve banking system only the capital adequacy ratio acted as a restraint upon credit creation: that meant that banks only created financial credit 9 or 10 times more than the amount of cash or legal tender they held in reserve. Money (credit) thus begins its life as a debt to the banks. The bank by granting a loan (of credit) monetises the real wealth created by productive communities, by individuals.

Barclay-Smith pointed out that the private monopoly of financial debt-credit leads on to further debt and taxation bondage.

Nationalisation of the banks is not the answer. Monopolisation is the problem in the first place and as Barclay-Smith noted: "You don't make a monopoly any better by making it larger." What is needed is the end of the monopoly and dictatorship of finance by elites. The Federal government should exercise its sovereign prerogative to create money on behalf of the people, but beyond that, money needs to be deconstructed and decentralised as much as possible. Alternative money schemes need to be encouraged to flourish. At present, only social crediters, and a small group of ecological economic thinkers, influenced by social credit ideas,ß are working along these lines.

The present global financial "crisis" gives us a window of opportunity to canvas ideas that will never be considered by stooges of the global financial nexus, like Rudd and Obama.

** "It's Time They Knew" has been updated by the Institute of Economic Democracy and is now titled "The Money Trick" available from all of our Book Services.

MONDRAGON OF FORD'S QUANTUM CONCEPTUAL LEAP by Wallace Klinck: Readers will remember the news that David Mondragon of Ford Canada had proposed "the Government should pay out to every Canadian citizen a cash consumer bonus of $3,500.00 (Canadian) to be applied against list price at point of sale when purchasing a new automobile!" It was reported Mr. Mondragon is against the proposed (Canadian) Government production loan "bailouts" to selected parts of the auto industry.

The proposal advanced by David Mondragon of Ford Canada is a limited approach to the Social Credit Dividend and Compensated Price. (These should apply to the economy across the board to the entire spectrum of products so that consumer choice is fully accommodated.)

Assistance to consumption rather than to an already glut of production: Nevertheless, Mondragon is making a major conceptual leap in focusing on assistance to consumption rather than an already existing glut of production – in this case of vehicles in his own line of production.

Jobs as means of distributing incomes – obsolete: In the past, emphasis has almost always been placed on assisting producers to maintain jobs as the main means of distributing incomes. This is doomed to failure because such assistance passes through the costing system and therefore registers as additional price to the consumer. No one is forced under Mondragon's proposal to purchase a car, but as you can observe, the assistance to consumption under his plan is limited as to consumer choice. If consumers do buy a vehicle, though, under the plan the consumer does indeed benefit to the suggested amount. The producer is also helped in being enabled to recover his costs so that he can remain solvent and continue to serve the community by further production. If the product is such that the consumer does not value it enough to purchase, then of course the onus is on the producer to improve the quality or desirability of his product. Production should only occur where the consumer chooses to support it. But business should never fail merely because of an inherent systemic insufficiency of purchasing-power in the hands of the consumer.

Source of payment-money critical factor: I am not aware if Mondragon suggested a source for making these consumption payments. If it would be from taxation then obviously there would be no increased purchasing-power for the economy in a macroeconomic sense. If they were funded by government debt, then they would not be liquidating the costs of production but merely deferring them.

There are two forms of credit: real and financial. Real credit is the physical capacity of society to provide goods and services, as, when and where desired. Financial credit is the ability to provide money as, when and where required. The latter should always balance the former.

National Credit Account: The proper way of financing the new consumption credits would not involve either taxation or incurring of debt. A country should have a National Credit Account which would be an estimated inventory of its real credit, i.e., all factors that if used could create a financial cost. This would include an actuarial (e.g., act on behalf of) estimate of the capitalised economic value of the population.

Nation Credit Account added to by production and diminished by consumption: This Account would be added to by all new production and diminished by all consumption.

New consumption credits would simply be drawn down from this National Credit Account – and being an item accounted to consumption would diminish the Account accordingly.

However, we are constantly producing more than we are consuming, capital items included, and the Account is always growing more rapidly than it would be diminishing. No taxation or debt would be involved.

Intuitively correct: Mondragon's proposal is intuitively correct but he is just restricting it to a selected sector of the economy. He needs to be convinced of the efficacy of extending it to the entire range of consumer goods in the national economy as a whole, so as not to favour any sector over another.

In the light of past orthodox proposals, I think he is making a quantum leap by recognising consumption as being the appropriate area to assist rather than the traditional approach of selectively protecting industry and "jobs" through subsidies to producers. We have to show him the necessity of universalising his limited proposal.

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