A WEEKLY COMMENTARY

# ON TARGET

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*The price of Freedom is eternal vigilance*

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## THOUGHT FOR THE WEEK:

Goldman Sachs has recovered quite nicely from the recession they helped create. They've paid back the bailout money already, and freed from the strings that came with it, they're rewarding themselves for their business prowess with executive compensation above pre-crash levels. How did they do it? By being smarter than the other banks. Oh, it's not that they didn't play the same risky game with mortgage-backed securities and derivatives; they just saw the disaster coming before everyone else did and passed off their toxic assets to less prescient investors. To the victor the spoils.

What's especially troubling about all this is that neither they nor the government seems to have learned anything. So far the Wall Streeters in the Obama administration have shown little interest in actually fixing the system... Without strict limits on how much these robber barons can help themselves to, the temptation to rig the game once more will be too great, and another economic meltdown is inevitable. What Recession? It's this kind of scenario that made the oligarchs so despised in Russia.

– Ed Stein | July 18th, 2009 / LINKS ReporterNotebook

"These blatantly inflated bonuses are just the last in a litany of abuses by those same profligate banks that nearly destroyed our economic system. If the derivatives on their books were "marked to market" (valued at what they would fetch on the market), the banks would be bankrupt, and their employees would be out of a job.

Instead, they have been allowed to inflate the value of their "toxic" assets – and sell them to the U.S. government at the inflated value. Then they have taken the money they got from the government at these inflated prices and paid back the TARP money they received – allowing them to post inflated earnings and reward themselves with inflated bonuses! Many people feel that these bankers are thieves stealing from the public till who should be looking at jail time. But who is there to stop their parade of outrages? No one in Congress, the White House, or the news media is calling them on the carpet for it. As Senator Dick Durbin said recently, Wall Street owns Congress; and that is also true of the major media."

– Ellen Brown in "The Public Option in Banking: How We Can Beat Wall Street at Its Own Game"
http://www.huffingtonpost.com/ellen-brown/the-public-option-in-bank_b_252161.html

**<u>DEBUNKING ECONOMICS: THEORETICAL INCOHERENCE</u> by Chris Knight: ...To global economic breakdown : Envisioning the Social Credit Alternative.** An article in *The Australian* ("Keen Sticks to Housing Doomsday Call", 8/7/09, p.5) dealt with the predictions of economist Steve Keen, associate professor of economics and finance at the University of Western Sydney, who believes that a housing apocalypse will lead to housing prices in Australia almost halving over a decade. Keen is criticised in the article by fellow economists and does not get a chance to make his case.

Keen's case is made, firstly in his book "Debunking Economics: The Naked Emperor of the Social Sciences" (Pluto Press, 2001) which sums up the multitude of criticisms made by mathematically informed economists so the ultimate attack is decisive. Standard economic forecasts, based on the Standard Models, fail because they are based on false assumptions. As for financial instability, Keen has developed work done by economist Hyman Minsky, who developed a financial instability hypothesis that posits that a spiralling debt to GDP ratio can cause deflation and depression.

For those who like the taste of differential equations read his *The Circuit Theory of Endogenous Money*. Common sense alone indicates that Keen is right: that crushing levels of debt relative to GDP (i.e. productive capacity) literally suck out the juices of the economy. Large debt means large unemployment and deleveraging in such a financial climate ultimately puts corporations on the road to collapse.

Social Crediters have made the same observations but have presented a more comprehensive model for social regeneration than Keen. Nevertheless, it is good to see an economist take on orthodoxy. Also, I take to task the housing and building industry, which has fuelled Australia's post-World War II immigration madness. Bring on the crash!

**<u>THE *REAL* ISSUE IS *POLICY*</u> by Betty Luks:** The headlines from the CEC (4th August 2009) read: "Wayne Swan spits on Ben Chifley's grave" – and then continues: "On Friday, 31st July 2009 at an ALP Conference Fringe event put on by the Chifley Research Centre, Wayne Swan replied to a question from LaRouche Youth Movement leader Glen Isherwood that a National Bank "would be stupid and destructive, and create unemployment. The traditional Labor Party's opposition to the "Money Power" is what separated it historically from the Liberal Party. The 1936-37 Royal Commission into banking, which included Ben Chifley, handed down the damning findings that the Federal Government – not the private financiers – was responsible at the end of the day for the economy and its management. The Labor Party established the Commonwealth Bank in 1911 to exert this responsibility for the people, against the private banks.

The intention of a government bank was clearly captured by Chifley's close political ally John Curtin in a 1937 speech in Fremantle:

"Three related monetary measures are necessary," John Curtin said,
"1. National control of credit to ensure its adequacy <u>to maintain and increase employment</u>.
"2. National control of interest rates, in order to keep to a minimum the monetary and capital costs on production and industry.
"3. National <u>direction of investment</u> with the object of assisting in the promotion of a balanced economic development."

Curtin concluded that, "If the Government of the Commonwealth deliberately excluded itself from all participation in the making or changing of monetary policy it cannot govern except in a secondary degree."

In 2001, the CEC published its book, "What Australia Must Do to Survive the Depression, that contains ready-to-enact legislation for a new Commonwealth National Credit Bank which would shift the control of monetary policy out of the hands of the private banks and <u>put it in the hands of elected government</u>, as specified in the old Labor Party policy."

***Policy* is what counts:** Sorry Glen, I don't share your enthusiasm for the government of the day being in control of monetary policy without other major changes taking place. But let me explain why.

When the Labor government of the day set up the original Commonwealth Bank, it was to act *in competition* with the many private banks then in existence. For many years now, Labor has shown it is merely an arm of the Banking System and *the banks'polices* – as are the Liberals. Both parties have betrayed the Australian people, mortgaging their sovereignty, heritage and freedom to this corrupt and fraudulent system (Mammon).

Ownership of a central or national bank is not the real issue – it is the *policy* that counts. Here in Australia it is the Reserve Bank that sets policy and we all know that the Reserve Bank does not brook political interference. In other words, the policy is determined by other than the government of the day.

**As to John Curtin's 1937 policies:** The world was in the grip of a terrible bankers' created 'depression', in which case, Curtin's policies were put forward to help overcome the conditions of the time. The modern banking system has become so centralised, there are but four major banks left in this country. Glen, where is the competition today?

Since John Curtin's time, the world has become the most productive in human history. We don't need more *employment*, we need the *right financial policies in order to distribute the abundance*.

'National direction of investment'? What did you have in mind Glen? Something along the lines of the former Union of the Soviet Socialist Republics? That regime had a very tight control on its financial system with its policies controlling directing and controlling industry, etc., and the people's necessities of life through prices and income.

What about *decentralising* the financial system and providing more competition *between the banks* by the setting up of State banks in each sovereign State of the Commonwealth?

**Another suggestion – what *could* be:** Nationally, the Reserve Bank could become the *Credit Issue Department* of the National Credit Authority and the private banks could become, in effect, branches of the National Credit Authority. They would take up their proper function in a modern Power-Age Commonwealth (common well-being) by being authorised as the official National Book-keepers for the whole of the Commonwealth. For this *service* to the community they would be paid *an agreed service fee*.

But the power to create, issue, charge for and control, the nation's financial system would be taken away from them. That power belongs to the people as a whole, therefore, it is a *public utility* and through a National Credit (Equation of Consumption to Production) Act would operate for the benefit of the people – not the private bankers.

**What if the bankers refuse to co-operate or sabotage the scheme?** Repeal the legislation that grants them their present powers over our financial system. Empower the Treasury to carry out all necessary transactions. If necessary, employ Chartered Accountants instead of Bankers. Use the Post Offices everywhere as local Credit Offices (leaving the banks out of it altogether). Keep the public fully informed of what is taking place.

I am fully aware of Douglas' advice that a second rate expert should not tell a first rate expert *how* to do the job, I am only putting forward ideas. It is the policy that is important. It is then up to our political representatives (not those in the pockets of the bankers) to see the policy is carried out. It would be their task to ensure they got the best experts in their various fields to carry out our demands.

**Important CDs for further understanding:**

* "Re-establish the State Bank of Victoria" by Louis Cook
* "Standing in the Gap: A + B Theorem" by Donald Auchterlonie

Each CD – $10 posted, from Heritage Books, P. O. Box 27, Happy Valley, S.A., 5159.

**BATTLE LINES DRAWN BY SHADOW BOXER by James Reed:** The pattern is always the same. When the elites are lining up a politician to take over the top job, they like to get them writing. Thus Rudd and his team knocked out an essay or two, and Obama two books about how wonderful and special he is because his white mummy got inseminated by a Kenyan man. And now we have the case of Tony Abbott.

Abbott portrays himself as a 'tough guy' (the Oxford boxing and all that – although he looks like a middle weight, not a heavy weight). In his new book "Battle Lines" he sets out his neo-Howard liberal philosophy and basically makes his case for being PM material.

This is the man that Howard set on Pauline Hanson. Abbott, like Rudd, and like all of them, is a big immigration man. He probably endorses the Asianisation of Australia – there is nothing to indicate otherwise.

As a Catholic I wonder how he feels about the inevitable destruction of the Catholic Church's influence through mass migration? Even the high rates of intermarriage between Catholics and Protestants in Australia (see G. Heard *et.al*, "Intermarriage by Religion in Australia", *People and Place*, vol.17, 2009) will erode the traditional distinction between Catholicism and Protestantism. As a conservative Catholic, I wonder what Abbott thinks about that?

**EVEN RABBIS FEEL THE STING OF GRAFT by Betty Luks:** * "For these defendants, corruption was a way of life," Ralph J. Marra Jr., the acting United States attorney in New Jersey, said at a news conference. "They existed in an ethics-free zone." Mr. Marra said that average citizens "don't have a chance" against the culture of influence peddling the investigation had unearthed.

In the U.S. State of New Jersey an FBI investigation has led to the arrest "of three mayors, five rabbis, several dozen public officials and an alleged trafficker in human body parts." (*The Weekend Australian*, 25-26/7/09, p.11)

The rabbis were the chief rabbi of the Syrian Jewish Community in the U.S., and the chief rabbis of synagogues in Brooklyn, New York and Deal, New Jersey. It is alleged by the FBI that the rabbis were players in an international money-laundering operation linking Israel, Switzerland and the U.S. The arrests were made possible by the co-operation of an orthodox Jewish real estate developer who was charged in 2006 with defrauding the PNC Bank of $US 25 million – he was used by the FBI to hook the defendants by offering them bribes (while he was free on a $US 10 million bond).

And then we have our trafficker in human body parts, "the kidney salesman", who preyed on people in Israel to get them to sell their kidneys for as little as US$10,000 while he sold the kidneys to transplant patients in the U.S. for US$160,000. He had been in this line of business for a decade! Don't hold your breath waiting for Hollywood to make a movie out of all this!

Back in Australia, the N.S.W. Supreme Court of Appeal has struck off disgraced former judge Marcus Einfeld, finding him not a fit and proper person to practice law. (*The Australian*, 24/7/09 p.3) This is an interesting ending for a champion of political correctness.

* http://www.nytimes.com/2009/07/24/nyregion/24jersey.html

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