A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

Print Post Publication Number 381667 00258

Vol.46, No.30 August 6th, 2010

THOUGHT FOR THE WEEK:

· "Capitalism" might be defined as production for profit. Including in this definition is administrative relations between employers and employed... these relationships have nothing to do with production for profit.

· What is it that the capitalistic system really claims to do? Broadly, it is a system which enables people to combine together under a suitable organisation, so that together they can achieve results which the same number of people acting separately could not achieve.

· In technical language, the capitalistic system is a system of organisation designed to use real capital, that is, tools, land, scientific knowledge, administrative ability, and many other things, so as to produce something which we call "the unearned increment of association."

· Socialists made a colossal mistake in arguing about the distribution of what they have called the "product of labour". The product of labour has become increasingly unimportant as compared with the unearned increment of association, that is, the product of the machine.

· It is this unearned increment of association out of which profits, not merely to the capitalist, but to so-called "labour" are paid.

· Before tinkering with the production system, you ought to make quite sure that other aspects, such as exchange and distribution, are equally successful.

· The money system is an accounting system, and if properly operated is of great value as an indication of what is going on in the industrial and productive systems.

· The type of mind which is attracted to banking and finance is not suited to deal with the highly technical organisation of the modern world.

· The proposals put forward seem to be unable to get away from the idea, that it is the function of the barometer to control the weather. The first step is to force those in charge of the finance system to reconsider their position in the scheme of things.

· In the higher realms of financial circles the financier regards himself as the vice-regent of God upon earth.

· The question of taxation is interwoven with this idea of moral government by finance, and I am strongly of opinion that the whole system of taxation, as at present understood, will eventually, if not immediately, become obsolete. It is altogether too suggestive of allowing the policeman to make the law and pocket the fine.

· It is a short step to the organisation of this country into a co-operative commonwealth, which will not in the least mean anything like the nationalisation of industry - while at the same time organising the

the country in such a way that every citizen shall draw a dividend from the activities of the community as a whole – as his or her inheritance.

– Taken from an Address by Major C. H. Douglas, M.I., Mech.E. delivered at the City Hall, Newcastle-on-Tyne, October 7th, 1932

A NOTE FROM THE NATIONAL DIRECTOR – REDUCE IMMIGRATION! A pamphlet which can be photocopied and distributed as part of the "reduce immigration" campaign is enclosed in this issue of ***On Target***. Politicians make "promises" but don't necessarily keep them. As electors we need to send a clear message to them on this issue.... – Don Auchterlonie.

"GIVE THEM A CHANCE" I WAS TOLD by Betty Luks: How well I remember the year of 1975; it was brought to my remembrance again just recently. I remember the withdrawal of Gough Whitlam's commission to form government and the highly-charged political climate before Australians went again to the polls. I also remember League supporters, who were Liberal voters, ringing to complain Eric Butler and the Australian League of Rights were not giving Malcolm Fraser a 'fair go' by criticising him and the Liberal's financial policies. Why we hadn't given him a chance to prove himself, I was told!

The 'offending' article was by Eric D. Butler in Vol.11 No. 42, 21 November 1975 and headed "Will Someone Please Tell Mr. Fraser". It reads:

"The dramatic manner of Gough Whitlam's removal has, ironically, provided him with a situation in which he has already recovered a lot of lost electoral ground. The former Prime Minister is a formidable political performer and a decisive Fraser victory will require a constructive anti-inflation financial policy which can readily be grasped by electors and which, immediately after the elections, can start to be applied, thus defusing the revolutionary situation the Communists and their allies contemplate.

Mr. Fraser's gloomy review of the economy, and a prediction of three years for a recovery, must be music to the ears of the revolutionaries. Mr. Fraser should be stressing that there is nothing basically wrong with the free-enterprise economy and that freed from financial problems it will immediately overcome any production problems. The depressed plight of the rural community, for example, is not because of any breakdown in production. The latest victims of the rural collapse, the dairy farmers, are, like others, suffering because they cannot sell their adequate production at a profitable price. Their biggest basic problem is rising financial costs.

If Mr. Fraser cannot advance a policy for reducing increasing financial costs, then he is doomed, even if managing to win the elections. However desirable it may be to reduce Federal Government spending, this of itself will not reverse inflation. Promises of tax indexation, while better than the present taxation policy, implies that wages are still going to move upwards. Increased wage costs must be reflected in higher prices. Mr. Fraser and his Treasurer Mr. Lynch cannot defy simple arithmetic. While industry is subjected to increasing financial costs, progressive Sales Tax being a glaring example, it must attempt to recover those costs through higher prices. Higher prices result in higher wages, wage indexation merely assuring that the increases are automatic. Higher wages require an increased money supply to finance. The increased money supply carries the prevailing high interest rates. This is a further financial cost, which the unfortunate employer must attempt to recover through prices.

As Mr. Fraser has been reported as saying that he had, while at Oxford University, been an admirer of John Maynard Keynes one would hope that he understands that Keynes did admit that the finance-economic system will not work without constant injections of new money. But Keynes suggested that the only way to achieve this result was through Deficit Budgets knowing that this would help foster progressive inflation. What Mr. Fraser should be doing is to recommend that the new money required for a Government Deficit be applied to abolishing Sales Tax at least on all items used to adjust wages, thus resulting in a falling price level, and that system of Consumer Discounts be applied on all basic items in the economy.

I can only hope that someone will explain to Mr. Fraser that unless he adopts a financial policy for drastically reducing costs, it is as certain as the sunrise that he cannot do anything serious about inflation. And if he does nothing about reversing inflation constructively, a major Australian explosion is inevitable. Mr. Fraser deserves better than to preside over such an explosion..."

Why do I refer to that article just now? Because nothing has changed – except that our situation is horribly worse than in 1975. I can remember in the early 1970s a modest 3-bedroom solid brick home cost around $15,000, but thirty five years later would now cost around $400,000!

Tell me if Eric Butler's assessment and prediction about inflation was correct or not! The Liberals have learned nothing in all that time. We now have another election coming up and – once again – we are being led to believe we must vote for either Tweedle Dum or Tweedle Dumber.

Granted the Liberals have said they will reduce immigration by half, that is a beginning, but they must go further than that. They must deal with the financial situation or Australia is doomed. Now read James Reed's important review of Frances Hutchinson's new book.

<u>THE RECOVERY AND RE-ENACTMENT OF SOCIAL CREDIT</u> by James Reed: A brief review such as this one cannot do justice to a truly magnificent book such as Frances Hutchinson's "Understanding the Financial System: Social Credit Rediscovered" (Jon Carpenter Publishing, Charlbury 2010). Frances Hutchinson is a leading social credit theorist who not merely writes for the, sadly, small-circulation journals, but who has the distinction of publishing sound academic treatises with major mainstream publishers.

Thus, in 1997 she published "The Political Economy of Social Credit and Guild Socialism", co-written with Brian Burkitt, followed by "What Everybody Really Wants to Know About Money" (1998 Jon Carpenter Publishing). She has also co-written with Mary Mellor and Wendy Olsen (2002), "The Politics of Money: Towards Sustainability and Economic Democracy", published by Pluto Press, London, primarily a press of the Left.

Frances Hutchinson's work though, like Social Credit itself, transcends narrow categories such as Left/Right. There is an environmental focus that runs through her works, one which recognises that the modern world is in crisis and in need of re-localisation and the establishment of human social scale institutions. Control of Finance will be essential for humanity to regain freedom and establish genuine democracies.

"Understanding the Financial System" consists of nine chapters, an Introduction and a Conclusion which in highly readable prose deals with almost every subject in the social credit canon. This then is the definitive introduction to Social Credit, readable for the beginner, but jam-packed with insights for the experienced scholar.

Beginning at the "beginning", Hutchinson starts her treatise with an account of the evolution of urban society. This discussion is not a dry history lesson, but rather is one which opens with an understanding of humans as "spiritual beings". From the earliest of times, humans have exhibited religious behaviour which cannot be reductively analysed in purely utilitarian terms. Ancient tales, Hutchinson argues, give a much stronger and wholesome role to women than given by modern feminism: "In the ages-old village community women had to be of strong character to maintain life from generation to generation. Women were very much involved in the observance of the seasonal celebrations and the preservation of consciousness of the spiritual significance of birth and death." (p.24)

Even when mankind turned to agriculture women still had a spiritually important role in the community as "queen-Mother or priestess". Thus, "Where the real work of sharing, caring and provisioning was undertaken by co-operative networks of women, the males could be left to develop their personal prestige in activities like hunting and warfare, giving rise to stories of heroism and self-sacrifice". (p.25)

Urbanisation, and especially the enclosure movement, led to "predation, acquisition of material possessions and emulative consumerism" (p.26) rising to dominance. The enclosures meant that land was to be used for profit, wool, grain and meat and as a result, the wisdom of subsistence farmers was lost. The process is in the final stages today as peasant communities are destroyed so that cash crops can be shipped to affluent customers in the first world.

Evidence of banking and financial transactions exist wherever urbanisation and modernisation have occurred, as credit is the lubricant of an economic system geared for profit rather than subsistence. Thus Financial transactions, such as loans, deposits, currency exchange and validation of coinage occurred in ancient Greece in the fifth century BC – older perhaps than philosophy. There credit dealings appeared to occur, where money-lenders would write credit notes for a customer who has made a deposit and where the credit note could be cashed in another city, avoiding the need to carry cash on long journeys.

Rome further developed Greek financial practices, with interest charges for a loan and payment of interest on deposits. When Christianity was accepted as the official religion of the Roman Empire there were restrictions upon the charging of interest. Banking fell, when the fall of Rome occurred and did not reappear in Europe until the time of the Crusades. (p.27)

Although Christianity disapproved of usury, the Medici and bankers of the Italian Renaissance City/States got around this ban in various ways "such as disguising transactions as 'international' currency exchanges between independent States." (p.33) The Lombard bankers further eroded the ban on usury. These early bankers were capitalists who got their initial wealth from hiring people to work for them. From that initial wealth, they expanded by banking activities.

Thus in 1694, a group of six individuals formed the Bank of England to grant a loan to William III for war. The security was the legal right of Parliament to impose taxes. As Hutchinson remarks: "Governments have been in debt to bankers ever since". (p.34) This sets the historical scene as "debt-finance came to dominate policy decisions, not only in matters of preparation for war but also in determining forms of financially profitable production. Military and industrial enterprises waited on the availability of finance for authorisation to proceed, and increasingly such availability of finance was debt-based". (p.35)

An important role in the development of modern banking was contributed by the house of Rothschild and other Jewish banking families. Hutchinson gives us a good overview discussion of this topic and refers us to the Jewish Encyclopedia (1906) which is now online at http://www.jewishencyclopedia.com/

People have thus been transferred from community-based peasants with a rich cultural life into "property-less, debt-owing, wage/salary-earning proletariat". (p.47) Control was "exercised through enlisting the willing co-operation of the populace", through "emulative consumerism, in conjunction with patriotism and war". (p.47) Control is also secured by controlling "the story" through the media and education institutions. This has occurred with Social Credit as Hutchinson details in the bulk of her book.

Continued in The Bulletin

Political comment authorised by Donald Auchterlonie, 145 Russell Street, Melbourne, Vic., 3000

"ON TARGET" is printed and published by The Australian League of Rights, 145 Russell St., Melbourne.
Postal Address: GPO Box 1052, Melbourne, 3001. Telephone: (03) 9650 9749, Fax: (03) 9650 9368.
Subscription $45.00 p.a.