

ON TARGET

A WEEKLY COMMENTARY

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The Price of Freedom is Eternal Vigilance

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If the Head is Rotten, Throw Out the Whole Fish! By Neville Archibald

The media has focused on Peter Dutton, the liberals in general and even the smaller half of the coalition. Calls within both parties for a leadership change. The head is rotten, cut off the head! Never mind that the whole fish stinks. The machinations behind these changes started during the election campaign, they couldn't even work together effectively then, when it should have mattered. (Unless maybe they didn't want to be elected?)

Substack Link: Nation First, by George Christensen

<https://nationfirst.substack.com/p/canavan-or-collapse-the-final-choice>

Defections, slugging off at pensions (that all polties are entitled to) personal attacks, and the usual round of after election day hand wringing and scape goat roasting. Littleproud seems to have held his ground, despite what I see as a lacklustre performance compared to the old Country party. (but then the Nationals of the 70s were an entirely different breed, not very effective, but still knew their base supporters and went in to bat for them)

Oh dear, oh dear, where did we go wrong?

The panels are full of recriminations, after thoughts, policy challenging and, of course, comparisons. The Libs are making comments about previous leaders and hoping to garner support by using names they think might help the average liberal supporter to remember the 'good old years'. When they meant something. To see how far removed from reality they are now, makes me cringe. Bringing out these names of past leaders, who also sold out the Australian public, just makes me sick. The never ever GST man, the Lima agreement man, and the list goes on.

I get to the point that I no longer wish to watch them make their accusations and comparisons. Their attempts to colour between the lines of the great Liberal

picture to improve the outward projection, is still a colour by numbers project. Each one decided in back rooms, by power brokers who care about party, power and positioning. Do they care about public? Decades of policy show the picture they are creating.

Both sides of current politics have removed industry from our shores. Both sides have sold our power generation to the highest bidder, regardless of who would eventually own it. Both sides have presided over the destruction of our Australian way of life, barking all the time about fitting in on the world stage, or about being a part of Asia. Surely people can see this! All that we once thought was important has been relegated to a background soundtrack (probably recorded in some foreign warehouse at the lowest cost possible) playing quietly at important national events. The stuff of our 'dream-time' when we made or grew nearly everything we needed. It only takes a ship crash in the Suez canal shutting it down for a few weeks to show us how much we no longer make here. How fragile our country has become, due to this "offshoring" of industry. This is the very thing both majors (and some minors) voted for and continued to support. Do people not remember that incident, if they do, can they not connect it to that fundamental policy? The parties are effectively dead to the thinking Australian, they have not shown any indication of working for our family in decades, and they show no intention to do so in the future.

So now we are witnessing the Liberal party, gathering around the grave of Peter (but I'm not dead yet) Dutton, squabbling over the last will and testament, trying to be the beneficiary who receives the most. Like a bad movie, this plays out in the real world, not on a fictitious screen. Oh, they try to appear concerned, maybe some are, but I think I can safely predict what the outcome will be. It will not matter what colours they use, or whether they use crayon or text, it will still look childish to me. Their action, their squabbles, their posturing, will all be for the party ultimately, for they realise they must get back in, to remain a part of the game. The play is more important to them than the games rules.

This is where I depart. This is where I no longer wish to watch. The people you have in your lives can determine how you react and how you think. You might be strong willed and set in your ways, but some rubs off, some of their colour smudges onto you. I would prefer to leave them to it, let them scribble away so hard that they rip through the paper or canvas of their creations. (which we can then legitimately throw in the bin) let them show you from a distance how bad their artwork is.

These two party preferred machines are seeing their own future, as the primary vote decreases (in the low 30% for each) and preference deals become more important. We have already seen how that works. They give each other preferences over other candidates, ones that you would think had a closer alignment to their own outward fictional presentation. If I am scathing it is because I have seen more of it than I thought was possible. I would have thought the decent people of this country would have called out the obvious bullshit they spew and voted against them, both of them!

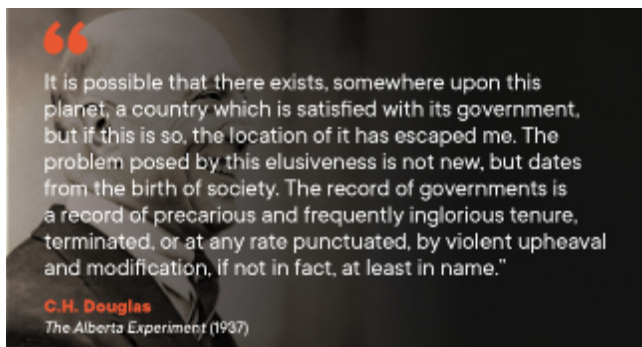
Until we can see through, what I call, their cover stories. We will continue to be choosing to pick from only two teams, each with the same global agenda, rather than looking after the family business, that of OUR country.

The underdog here is the true independent, who holds no allegiance to anyone other than his/her electorate. If we don't want to be a part of that scrambling after "Daddy's money" groupings that occur each time a loss happens. If we want our politics to reflect OUR desires, we have to break from those "happy families" and realise our own family needs to be closer to us. Each electorate is small enough to be a family grouping, each has similar needs and desires. The "happy families" of lib/lab only cause division among us, as each tries to be the best footy team on the cricket pitch. That is OUR problem. They need to be playing the right game, for us. We need to be the umpires, calling out bad play and red carding or sending off players who don't abide the rules. That is why we Vote! We decide who plays!

Instead of importing players from other leagues or areas, we need to concentrate on our own. The local, who may not have that outward professional look, but can deliver a much closer to home result. One that has to live in the area, after politics! One that has to face the very people he represents. And WE need to be there to cheer them on, to discuss tactics, to coach and to actively support them. To be involved. Day to day! Politics is a tough job, especially as it stands now! The job for an independent will be harder than ever, as the entrenched mindset is slowly removed to make way for the true Australian to take over once again. An Australian who wants to be here, to improve his Australian family's lot, not to posture on the world stage, or feather his own nest.

Reforming this country, to truly represent the people who live in it, will only come about if each electorate stands up and sends a true son or daughter from their family into battle for them. And only if they get behind them. We can do this if we learn to concentrate on what we all want in common, not on our differences (which are largely a creation of the party system) and focus our energies on doing this for more than just one day, each three years.

The Liberal party may implode, hopefully it will be followed by Labor, and then every other vested interest group in politics. Regrowth can then be from the very grass roots that Eric Butler always said it would have to come from. It is up to us! ***



Upon That Mountain: A Plot to Betray Australia's Independence

By Jeremy Lee

(Originally Published by Heritage Publications. 273 Little Collins Street, Melbourne. Australia. 1978.)

INTRODUCTION

This booklet contains a submission to a parliamentary committee. There are many such committees, and they have, through the years, no doubt examined many submissions.

What is so different about one more?

The difference is profound. The Senate Standing Committee on Foreign Affairs and Defence is examining the implications of a proposal for World Government.

Such a proposal is not new, and has been a long time in the making.

But for many years it has been hinted at, in vague, confusing terms. It has never before been an outright proposition, but has been a “trend” - a progressive centralisation of power at both national and international levels.

For a long time, certain political parties have made a play of opposing centralisation. They paid lip-service, at any rate, to the idea that centralised power was inimical to individual freedom.

But their one-time ardor has died away, and objectives have been watered down to a point where the differences between all parties in the political spectrum are superficial indeed. This is true not only of Australia, but of all English speaking nations. More and more the survival of the very parliamentary system itself is under question.

But the centralisation of power is not a “trend” at all. It is quite deliberate; it is the result of long-term planning; and it has come out into the open.

Such is the proposition before Australia, In accordance with a combination of invitation and pressure, Australia is now being coerced into dispensing with the trappings of sovereignty and baring her bosom to the endearments of a one-world-order.

The invitation is an old one. The 4th chapter of St. Luke's Gospel records these words: “... And the devil, taking him up into an high mountain, showed unto him all the kingdoms of the world in a moment of time. And the devil said unto him, All this power will I give thee, and the glory of them; for that is delivered unto me; and to whomsoever I will I give it. If thou wilt therefore, worship me, all shall be thine ...”

It has been asked more than once that, if Christ Himself rejected such power, what politician could be entrusted with it? And yet the same temptation is being considered by Australia today.

Thirty years ago, such a suggestion would have received short shrift. Australians were proud of their sovereignty, and were not too timid to say so. But the change which has overtaken the Western world has not left Australia unaffected. It was well expressed by Solzhenitsyn in his B.B.C. address:

“... What we see is always the same, always the same as it was then; adults deferring to the opinion of their children; the younger generation carried away by shallow worthless ideas; professors scared of being unfashionable; journalists refusing to take responsibility for the words they squander so profusely; universal sympathy for revolutionary extremists; people with serious objections unable or unwilling to voice them; the majority passively obsessed by a feeling of doom; feeble governments; societies whose defensive reactions have become paralysed; spiritual confusion lending to political upheaval. What will happen as a result of all this lies ahead of us ...”

Perhaps the greatest tragedy is the attitude of the Church to such temptations as now lie before Australia. There is a wilful evasion of all political and economic responsibility by those who should be to the forefront in “wrestling with principalities and powers”. The safe seclusion of the prayer group and the church bazaar has left the real battlefield without a Christian banner; consequently, those who lust for “power over all these things” seem to have a monopoly in the lists. The price to be paid in spiritual darkness before the light dawns cannot be estimated.

The greatest weapon of centralised power is money. Real history, the history which is seldom recorded in the textbooks and biographies, or in the social studies taught in schools has more to do with the financial powers behind wars, revolutions, trade manipulation and subversion than anything else. On another occasion Christ stated that the love of money was the root, the source, the beginning, the starting point of all evil.

There is now enough documented evidence to show that behind the rise of Nazism and Communism, and the massive growth of debt now enslaving the world those who financed these movements, and who control the creation and the distribution of the world's money are the real power elite.

They are now making their final gambit. They have also viewed the kingdoms of the world from that high mountain, and have succumbed to the conditions which are the price of complete power.

Their task is made so much easier by the sapping of moral responsibility, the gross materialism and the evasion of reality which marks human society in the latter half of the 20th century.

And yet there IS an awakening in some areas. There ARE young people who care for this country, There ARE a few Christians who see that the cross to be born has its social and economic aspects, which combine to complete spiritual responsibility. There ARE politicians - albeit a very small minority - who see the truth as more sacred than their salary, their superannuation, or obedience to the party Whip.

Perhaps in the crisis which is now almost upon us, such people will provide the few sparks from which the flames of regeneration are finally kindled, To such rare individuals, in the knowledge that they will continue to speak out, come what may, this booklet is offered as a tool. Its message is beyond question, for it is the message of the centralisers upon that mountain.

Can Australia be warned, and will she act in time?

BACKGROUND TO PROPOSALS FOR A NEW INTERNATIONAL ECONOMIC ORDER (NIEC)

There are so many facets and implications in regard to proposals for a New International Economic Order that some background is necessary.

A 'Series of Developments over the period 1944 to 1974 provide the factors to be considered as a prelude to discussion of the United Nation's declaration for a new international economic order on May 1st, 1974.

These were:

- (1) The establishment of the International Monetary Fund (I.M.F.) the International Bank for Reconstruction and Development (World Bank) at Bretton Woods, July 1-22, 1944.
- (2) The formation of the United Nations, April 25 - June 26, 1945, San Francisco.
- (3) The Agreement for establishing Special Drawing Rights (S.D.Rs.) Rio de Janeiro, 1967.
- (4) Recommendation by the Joint Economic Committee in 1969 that the creation of S.D.Rs. be used as a means for transferring resources to the less developed countries.
- (5) The 1968 United Nations Conference on Trade and Development (UNCTAD) in New Delhi, wherein it was decided to establish a multilateral non-reciprocal tariff preference scheme to favour imports from less developed countries of semi-processed and processed products into the markets of developed countries.
- (6) The suspension in August 1971 by President Nixon of the convertibility of the US\$ into gold.
- (7) The Smithsonian Agreement, in December 1971, wherein it was decided to end any fixed parity between the US\$ and gold - resulting in the devaluation of the US\$ and a widening of the margins of exchange rate fluctuations for members of the I.M.F.
- (8) The Lima Declaration on Industrial Development and Co-operation, made at the Second General Conference of the United Nations Industrial Development Organisation (UNIDO) on December 6th, 1973, which resolved, *inter alia*: "That special attention should be given to the least developed countries, which should enjoy a net transfer of resources from the developed countries in the form of technical and financial resources as well as capital goods, to enable the least developed countries ... to accelerate their industrialisation."
- (9) The United Nations Sixth Special Session on Raw Materials and Development, in April 1974, at which was produced by consensus - "A declaration on the Establishment of a New International Economic Order."

The implications of this far-reaching Declaration - the issue now being considered by Australia, in conjunction with other member nations of the International

Monetary Fund - can be summarised thus:

- (1) The establishment of a new world monetary order, with the elevation of the I.M.F. into a “world central bank”, and the introduction of an international monetary unit to be known as BANCOR.
- (2) The reduction of industrial and manufacturing expertise in the developed nations, to concur with a build-up of industrial resources in less developed nations, by transfer from the developed countries.
- (3) The establishment of international commodity boards to control the production and distribution of raw materials which include a number of Australia’s principal export commodities, e.g. wheat, coarse grains, rice, sugar, bauxite, iron ore, copper, lead, zinc, tin, cotton and wool: and to establish buffer stocks round the world, to be financed by a “Common Fund” with the power to create the means of payment for its own activities.

The implications of these proposals for Australia’s economic stability, foreign policy and defence are staggering. They could be summed up as follows:

- (1) Australia would cede its present sovereignty over its own industry, production, distribution and exchange, in favour of an international institution with power over all but legal accountability to none. Although nominally, the right to withdraw exists, in practice such a right - once commencement of the proposals was effected - could not be exercised without the loss of all trade earnings incurred between the time of commencement and the time of withdrawal.
- (2) Any suggestion that Australia’s industrial resources be ‘transferred’ to less-developed nations, at a time of existing unemployment and stagnation, could only have the gravest implications for internal stability and the well-being of the Australian people.
- (3) The anticipated use of S.D.Rs. to “transfer industrial resources” from nations like Australia to less developed countries would in essence be a form of arbitrary aid-giving bearing no relationship to any domestic ability to sustain it, and at a rate and with consequences over which Australia would have no control. The escalation of debt - and the consequent escalation of inflation and unemployment - would annihilate Australia’s productive heritage and viability. National self-reliance, on which effective foreign policy and defence must be based, would be destroyed.

THIRD WORLD DEBT

By the middle of 1976, Third World countries had incurred debts of \$US 100,000 million to the rest of the world - excluding private and short-term debts. Over 15 percent of all export earnings in the Third World were going in debt service. The fastest growing area of debt was to the private banks.

In addition, international reserves worldwide - held in the form of S.D.Rs. from the

I.M.F. - increased by \$100,000 million between 1970 and 1974.

In 1974 and 1975, non-oil developing countries had to find \$US 80,000 million to finance their external deficits and to service existing debt. Of this, some \$36,000 million was raised privately, according to the Morgan Guaranty Trust Co's. publication "World Financial Markets" (January 1976).

By the end of 1976, according to The Far Eastern Economic Review's special feature on Banking (April 8, 1977) the combined external debt of non-OPEC Less Developed Countries (L.D.Cs.) totalled US\$ 180,000 million, of which about \$75,000 million was owed to private banks.

In the next four years, non-oil L.D.Cs. face a period of huge debt repayment - well beyond existing capacity to pay. As a result, there is an urgent and concerted pressure from the private banks - headed by Rockefeller's Gargantuan Chase Manhattan on the I.M.F. to introduce its new money system in order to re-schedule or even cancel Third World debts. The international private banks are anticipating that this step will remove the danger of collapse which their own lending policies have generated.

The Lima Declaration under the auspices of the United Nations Industrial Development Organisation (UNIDO) in December, 1973 formulated this very proposal. Because, it said, of "the effects of the inflationary increase in the import costs of developing countries, the pressures exerted on their balance of payments particularly by such factors as foreign debt servicing, the aggravation of the international money crisis, and the transfers resulting from private investment ... urgent consideration (should be given) to the question of the re-scheduling of debt-servicing of long outstanding debts, and their conversion, if possible, into grants ... " To summarise: The debts of non-oil L.D.Cs. in the Third World are now so great that they are unrepayable. Already new loans are being negotiated where possible to service old ones; a large proportion of this debt is owed to international private bankers; it is proposed that these debts be transferred to the I.M.F, which would use the real credit of the advanced western nations as backing for a new international money system to effect that transfer. The private banks would be paid, not by their original debtors, but by the West. They would be enabled to continue their investment programmes in the future, but this time under the guarantee of an international institution using the collateral of the western world to safeguard such investment.

At the end of December 1917, M. Jacques de Larosiere de Champfeu, top civil servant in the French Treasury, and considered most likely to succeed Johannes Witteveen as Managing Director of the I.M.F. claimed that the role of the I.M.F. will have to grow, "Because the private banking system alone will not be able to handle the accumulation of official debt."

POSITION IN ADVANCED WESTERN ECONOMIES

The grim position in the Third World is not, as one would suppose, counteracted by a healthy situation amongst advanced countries. In fact debt, inflation and unemployment between them are creating enormous uncertainty.

THE UNITED STATES

In March 1978, the new chairman of the Federal Reserve Board, Mr. G.W. Miller, warned of a growing crisis, coinciding with the fall in the value of the U.S. dollar. The precarious position of the dollar reflects the fact that, by a policy of massive credit creation, lending and aid, the United States - the greatest per capita productive nation the world has seen - has moved from being a creditor to a debtor nation in the last 20 years.

The projected budget deficit for 1978-79 is over \$60,000 million. As Mr. Miller pointed out this could only lead to a further round of inflation. The United States is looking to increased exports and cuts in imports to counter this, exacerbating the cut-throat competition for world markets.

Debt, taxation and the growth of government has placed the United States in an invidious financial position. Republican Representative Clarence Miller (Ohio), in a letter to his constituents in April, 1978, pointed out these startling facts:

- Since 1960, 236 new Federal agencies have been created. There are now over 1,000 Federal programs, and 80 regulatory agencies with more than 100,000 staffers.
- Between 1789 and 1974 the US population multiplied 60 times while the size of the bureaucracy multiplied 8710 times.
- From 1952 to 1972 the public payroll grew from \$35 billion to \$150 billion. Today one in six Americans work for the Government.
- Government regulations cost consumers \$130 billion a year - enough to buy a year's groceries for every family,
- For the first 150 years of the country's existence, the Federal Government spent, cumulatively, less than \$100 billion. Then, in 1962, for the first time, Federal spending topped \$ 100 billion in one year. It took only nine more years to double that figure to \$200 millions year. Federal spending could well top \$ 500 billion.
- The Federal Government spends at these rates: \$1.26 billion a day, or \$14,500 per second.

The Age (24.4.78) reported:

“An international proposal to defend the United States dollar by swapping unwanted dollars for so-called paper gold (S.D.Rs.) will be advanced this week

during high level meetings of the International Monetary Fund, The U.S. is publicly taking a neutral attitude towards the plan, but privately is dubious because it could give the 133-nation I.M.F. control over a significant portion of the U.S. money supply ... In short, the plan would be for the I.M.F. to issue Special Drawing Rights - sometimes called paper gold - in exchange for a portion of the billions of U.S. dollars which circulate outside the U.S. The amount of these dollars has been estimated as high as US\$ 500,000 million and has grown rapidly, in part because of record U.S. trade deficits. Since there is little prospect the US could ever buy them back, the dollars have had an unsettling effect in international money markets and have contributed to the recent steep decline in the value of the dollar. ”

In fact, the I.M.F. has already funded up to 10 percent of the U.S. Budget deficit - and the same development will take place with other nations if current proposals are accepted.

CANADA

The Toronto Globe and Mail (5.4.77) reported:

“Canadian workers naturally demand higher gross wages than workers in the United States because their taxes are much higher ... Personal income taxation of the average family has jumped so that today it is a bigger expense for all Canadian families than any other single item ... Today the average Canadian family spends almost 20 percent of its income in personal income taxes. In the United States it is 14 percent. That difference in taxation is the result of Canadian Government now taking 43 percent of our total Gross National Product, compared to 35 percent in the United States That dead load in extra Government costs 8 percent of our GNP, or in dollar terms about \$1,300 per taxpayer The Government’s planned \$7.2 billion deficit this year is larger than total federal spending in the 1964 fiscal year, the first year after the Liberals resumed power from the Conservatives Interest on the deficit this year will cost each taxpayer about \$50 a year until it is repaid ... ”

Two weeks earlier (March 21) the same paper reported:

“Canada is now running the largest foreign debt in the Western World. Our average wages in manufacturing are now the highest in the world and our exports are dropping ... Our trade deficit on manufacturing last year was \$10 billion. Our money supply, a chief source of inflation, was up 22.8 percent of the annual rate last month ... ”

The paper was not exaggerating. Figures produced by Morgan Guaranty Trust Co. reveal that Canada was the biggest borrower in International Bond markets three years running 1975 - US\$ 4,612 million; 1976 - US\$ 10,221 million; 1977 - US\$ 8,521 million.

The Toronto Globe and Mail elaborated further on March 29th, 1977:

“Our governments have not been putting us in a very good position from which to move back to strong economic growth. The cost of servicing direct government debt has grown by 120 percent in the past five years. Federal debt servicing costs have increased by 135 percent, provincial and municipal costs by 100 percent. The annual burden on each person employed in the country has risen from \$444.44 in fiscal 1971-72 to \$822.92 in the fiscal year ending this month. The total cost in the past year was \$7.9 billion. Just for servicing debts. The total direct government debt at the end of 1976 was \$96 billion; \$60 billion owed by the federal government, \$25 billion by the provincial governments and \$11 billion by the municipal governments. And these huge figures do not even include the \$24 billion of debt guaranteed by governments on behalf of government-owned businesses. This debt has been incurred to pay government deficits. Little debt is retired by governments. When a debt is due most governments simply borrow again to repay it.”

The result - quite predictably - is that the Canadian dollar plunged to its lowest point since the Great Depression in March 1978, and with inflation at 9 percent and unemployment in February running at 8.3 percent the Canadian garden is hardly rosy!

BRITAIN

Writing in the middle of 1977, Robert Moss, editor of the Foreign Report of the London Economist, questioned the future of democracy in Britain. His in-depth article included these comments:

“Britain (with a forecast borrowing requirement in excess of AU\$ 13 billion in 1977, even after cuts made by the Chancellor of the Exchequer Denis Healy last December) will have mortgaged its oil revenues in advance ...”

“The police-state powers that have been given to tax inspectors in Britain (who are now authorised to enter a man’s home at any hour of the day or night, confiscate documents and interrogate his family) are signs both of the totalitarian drift in government and the decline of that sense of civic duty that had long made the self-employed Briton a scrupulous unpaid tax collector ...”

“Britain still maintains a Ministry of Overseas Development, and can still indulge in gestures like giving cheap loans to the Marxist rulers of Mozambique - or the credits, worth almost AU\$ 1.5 billion, that Harold Wilson offered the Russians, at a rate of interest that was only half what a housing mortgage costs in London. But Britain’s place among the major industrial nations is now that of the man with the begging bowl. The country goes on spending more than it earns, and goes on hoping that the International Monetary Fund will always be there with another loan ...”

“Tax levels in Britain rise to a maximum of 83 percent on earned income, and 98 percent on what is officially classified as “unearned income”. There are plans afoot for a wealth tax as well ...”

One year earlier, a National Economic Development office report pointed out that Britain's share of world trade had slumped from 22.9 percent in 1955 to 7.5 percent in 1973.

In trying to bolster up the Pound in its crisis in 1976, the Bank of International Settlements in Switzerland pointed out that taxation in Britain has exceeded the limits of economic efficiency.

In April 1978, Edward Stillman reported in *The Australian* (17.4.78):

“The truth about North Sea oil, even on the most optimistic estimates of about \$82 billion annual income in the 1980's is that such a sum could relieve pressure on the balance of Trade for only a few years ...”

The evidence shows that debt is the cause of Britain's grave position - debt incurred in war and peace alike over the last 300 years and now escalating at a rate which forces taxes to impossible levels, and plunges industry into stagnation.

By way of example, Britain's First World War debts are a case in point. Total borrowings from the U.S. were US\$ 4,802,181,641.56 at the end of the war. By 1971, Britain had paid \$434,181,641.56 in principal, and \$1,590,672,656.18 in interest. But principal and interest still owing at that time totaled \$8,343,059,301.93 - almost twice the original debt incurred. Britain is scheduled to make the final repayment on the First World War debt in the year 2004. Her chances of doing so are slim indeed.

It is a debt system with these sort of figures which is destroying Britain, rather than her own inabilities.

The overall effect is that Britain is rapidly losing her sovereignty. Parliamentarians still meet in the “Mother of Parliaments”, but vital decisions concerning Britain's future are increasingly made outside the country. At the end of 1976

The Australian (7.12.76) reported:

“The British Government has agreed to reduce its budget deficit by \$5,700 million over the next two years to qualify for the \$3,850 million loan from the International Monetary Fund, Time Magazine reported today, The Government will reduce the deficit by:

- A Value-added tax hike;
- A Moratorium on Government building;
- More defence cuts;
- Ending automatic cost of living adjustments to social welfare payments.

The I.M.F. team sent to London to talk with the Prime Minister Mr. Callaghan at first wanted even bigger cuts before agreeing to the loan, Time says. The initial demand was for the Budget deficit of \$17,800 million to be slashed by half ...

Mr.Callaghan was bitterly attacked - from the right and left - when he told his Cabinet of the I.M.F. conditions ... ”

The implications for Britain's defence alone were ominous. As Robert Moss reported in the article mentioned earlier: “Perhaps even now it is not understood by Britain's allies that its internal condition poses perhaps the single most serious threat to the Atlantic Alliance - although that may have become a little clearer when, in mid-December the Chancellor of the Exchequer announced that further cuts in the defence budget (totalling AU\$ 465 million) would be made over the next two years. Britain's armed forces, when fully mobilised, were already smaller than those of neutral Sweden, Switzerland, and even Finland ... ”

THE EUROPEAN ECONOMIC COMMUNITY

The Sunday Mail (1.4.73) reported:

“Less than three months after the enlargement of the Common Market from six to nine member States - but more than 15 years since the creation of the Community - European leaders are faced with a fundamental soul-searching exercise in an effort to determine what the Common Market is and what it should be. The crisis - or to be more accurate, the chain of crises which have beset the world's money markets have helped rush through the agonising reappraisal that has now become necessary. In the first 13 years of its history, the European Community succeeded in developing the basic idea of the Common Market ... The Community was almost posed to abolish all frontier formalities between the member States - at the time France, West Germany, Italy, Holland, Belgium and Luxembourg ... But then came the first wave of currency crises, with the German mark revaluing upwards, and the French franc following with a downward devaluation. Since then, the German mark has been revalued again, and so have the three Benelux (Belgium, Netherlands and Luxembourg) currencies while the Italian lira (as well as the British and Irish pounds) has begun floating downwards ... ”

By mid-1977, the *Far Eastern Economic Review* stated:

“Now, however, it is Europe that is in trouble, and all the talk of bigger international liquidity leading to greater inflation is receding before the spectre of political unrest in the heartland of Western capitalism ... With recovery choking in most of Europe, with Germany steadfastly refusing to reflate its economy further and with leftist advances in France and Italy imperiling NATO, all the self-righteous verbiage has gone down the drain ... ”

What was the main factor? The same issue said: “Total Eurodollar loans to the South (L.D.Cs.) outstanding and undisbursed at the end of 1976 are put at approximately US\$ 140,000 million ... ”

NEW ZEALAND

Writing in *The Bulletin* (28.3.78) Ian Templeton reported:

“Loaded with debt, twisted with rising costs and living close to the poverty line, the average New Zealand farmer is becoming so dispirited that he sees no future for himself. That is the picture drawn by an official committee which has reported to the Government. It is not a picture easily accepted by other New Zealanders ... But the farm statistics do not lie: sheep farmers face a 41 percent drop in real net income for the 1977-78 year. That for a country dependent for 75 percent of its export income on the farm sector, is a disaster ... ”

The termination of E.E.C. trade preference for New Zealand's dairy products about the same time spells equally grim results for the dairying sector.

But the crisis is not confined to rural industries. *The New Zealand Herald* (11.3.78) reported:

“Motor companies are preparing to slow assembly lines as government moves to stimulate new car sales continue to arouse only a flicker of interest ... The perilous state of the motor industry already has brought - * The closure of two assembly plants – the Motor Holdings plant at Waitara and the New Zealand Motor Corporation plant at Newmarket: * A 10 to 15 percent cut in staff at car plants:

- A strict no-replacement stance on assembly plant staff: * Canceling of overtime:
- The layoff of some assembly line workers and re-deployment of others:
- The closure of some car dealers' yards. A third assembly line will close later this year ... ”

On 14.2.78 Ian Templeton reported:

“In spite of efforts by the Muldoon Government to massage the economy, the downturn has gathered speed and strength since Christmas, and many industries are in serious trouble. Redundancies, lay-offs - the kind of thing which happens in Britain, the United States or Australia but never in New Zealand - dominate newspaper headlines. It is possible that the official jobless could reach 40,000 to 50,000 within the next few months ... As European doors for New Zealand farm products clanged shut and as other markets restricted access, the economies of producing food in bulk for single markets and shipping it across the world suddenly became dis-economies. Where freight on exports cost New Zealand 46 million pounds four years ago, the bill last year was 180 million pounds; and the total deficit on 'invisibles' was 824 million pounds, almost as much as the wheat industry, the country's biggest export earner, won from overseas markets ... ”

Among the 'invisibles' was an increasing load of debt servicing. New Zealand was the largest “per capita” borrower in western bond markets in 1977, borrowing US\$ 1,093 million - an increase of 106 percent over the previous year.

AUSTRALIA

The position in Australia is well known to Hon. Members of the Senate. Massive inflation has been exchanged for the largest unemployment since the great Depression. The future of all sectors is uncertain and foreboding. Primary Industry is the worst affected. Taxation (direct and indirect) In the three tiers of government - Federal, State and Local - takes just under 50 per cent of National Income.

Australia's overseas borrowing increased 34 percent in 1977 over the previous year - from US\$ 1,068 million to US\$ 1,434 million.

Total Australian Securities on Issue to overseas sources totaled AU\$ 1,870,590,000 at the end of June 1977. That figure has almost been doubled in the first four months of 1978, with the Fraser Government overseas borrowing at AU\$ 1,700 million.

JAPAN

Japan, more than any other country, has made growth the prime factor of its economy. Her range of production is huge. Over the last 15 years she has become Australia's biggest trading partner, and is increasingly so for New Zealand. Australia's exports to Japan are as follows:

1974-75	1975-76	1976-77	July-Dec 77
\$8,672.8mill.	\$9,600mill	\$11,646mill.	\$6,142mill

OVERSEAS BORROWING BY THE COMMONWEALTH SINCE JULY 1st, 1977

Date	Source	Amount	Australian Equivalent
Sept 1	Eurodollar	\$US100 m.	\$ 90.6m.
Sept 27	Eurodollar	\$US150 m.	\$ 135.0 m.
Sept 27	Germany	DM 250 m.	\$ 96.9 m.
Sept 27	Germany	DM 500 m.	\$ 193.8 m.
Oct 7	Germany	DM 250 m.	\$ 97.3 m.
Oct 20	Germany	DM 250 m.	\$ 98.4m.
Nov 21	New York	\$US125 m.	\$ 110.0 m.
Feb 20	Japan	Y50,000 m.	\$ 184.0 m.
Mar 22	Eurodollar	\$US350 m.	\$ 307.5 m.

TOTAL \$1,315.2 mill.

Source: Hansard, Reps. April 10, 1978

By far the biggest of Australia's exports to Japan are coal and iron ore:

	1974-75	1975-76	1976-77	July-Dec 77
Iron ore concentrates	\$543mill.	\$609mill.	\$696mill.	\$402mill.
Coal	\$502mill.	\$848mill.	\$1,045mill.	\$542mill.

Thus, if Japan sneezes, Australia and New Zealand catch cold. The enormous current account deficits in other western nations have led to increased pressure on Japan. An attempt to lock Japan out of world markets is being led by the United States. Japan's exports increased by 20 percent in the 1976-77 period.

Faced with this pressure, Japan has only two alternatives within the confines of current orthodoxy. Firstly, she must divert her export trade to communist markets; alternatively, she could diversify her peacetime industries into military expansion. Comprehensive press reports in Australia and New Zealand - including the Financial Review (15.2.78) reported over a million unemployed in Japan - not high by Western standards, until one considers the work ethic which has turned the machine into a god for the Japanese worker. Many start the day by singing hymns to their company and their work-bench. Strikes in Japan have been held against a contemplated reduction in working hours. Thus, the rising unemployment in Japan is accompanied by a record number of bankruptcies and suicides.

The New Zealand Herald (3.3.78) contained a detailed appraisal of Japan's military build-up. This year's defence allocation is over \$4,000 million, which, unlike Australia's defence allocation, does not include wages and salaries of military personnel. The report said:

“As the world's third major economic power, Japan has a vast industrial base that could be geared to armament production. It already makes aircraft, helicopters, warships, tanks and almost all its own ammunition and artillery. From 1980 Japan will mass-produce its own air-to-ship missiles with a sophisticated guidance system to be fitted to its home-made fighter plane, the F-1. And it will then be able to make its own anti-tank missiles and short-range ground-to-air-missiles, now supplied by the United States ... ”

The military build-up, however, is not sufficient on its own to maintain the momentum of the Japanese economy. Japan has now signed a new trade pact with Communist China for \$20,000 million over an 8-year period. In return for 47 million tonnes of oil and 8 million tonnes of coal to be provided by China, Japan will send back an increasing flow of consumer goods, Japan will supply the credits.

The first part of the deal is the building - already commenced - of a massive steel plant in Shanghai by the Japanese. France is also building a large steel mill in North Vietnam. The implications are clear. Japan is already reducing imports of coal and iron ore from Australia. Mr. Lynch has recently signed a contract for the supply of iron ore to China. With Australia's own BHP in the doldrums with regard to steel production, and stagnation in the steel industry throughout the Western world, it should be asked why China and North Vietnam - using credits from the West - are building large steel plants. Australia's role has been reduced to that of supplier of raw material, competing now with Brazil, in a buyer's market increasingly controlled by the Communists - and financed on Western credit.

CONCLUSION

The Western world is on the brink of calamity. The period of growth and expansion has lost momentum in a welter of escalating costs structures. Paradoxically, this breakdown is occurring in the middle of the greatest productive era ever recorded in human history - a productive achievement which contains within itself - even in the middle of its destructive results - the seeds of potential peace and accord transcending anything achieved in history.

Where is the distortion?

It lies in the fact that the escalation in production and trade has been measured in an escalation of debt finance. The reward for the world's immense production is vast, crippling debt - not only of the Third World countries now collapsing, but the nations more responsible for the productive expansion than any other area - the industrial West. Dr. Otmar Emminger, Deputy Governor of the Deutsche Bundesbank, and one of those responsible for preparing the I.M.F's. Special Drawing Rights scheme, gave details in the tenth Per Jacobsson lecture meeting in 1973:

“ ... From the beginning of 1970 through March 1973, more new reserves were created than in all the previous monetary history of the world. The dynamic element in this process was foreign exchange reserves. They more than trebled during this period, from \$32 billion to approximately \$115 billion. In comparison, the allocation of 9 billion SDR units over this three-year period appears quite modest. It is true that the increase in currency reserves was highly concentrated in only a handful of countries. But it is worth noting that the flood of liquidity has spilled over to the less favoured nations. Even the developing countries (excluding the oil-producing countries) experienced, as a group, an expansion of their reserve holdings by no less than 76 percent in the three years 1970 to 1973; this was much more than had been assumed when it was decided to create SDRs for that period ... ”

WARNINGS OF CHAOS

As early as 1974, predictions of growing disruption were being made. In October of that year *The Australian* (26.10.74) reported:

“Signs are mounting steadily of a coming global financial and monetary crisis which could wreck the world's economy, a leading international banker has warned ... Dr. Alfred Schaefer, chairman of the Union Bank of Switzerland, laid out the prospects and distasteful cures yesterday at a financial conference in London organised by the U.S. conference board ... He named inflation, increasing capital requirements of governments, growing capital needs of private enterprise, a loss of confidence in paper money and its accompanying flight into tangible things like land, gold, silver and diamonds as symptoms of the crisis. Aggravating the growth of inflation, Dr. Schaefer said, was the fact that certain countries had been forced to borrow abroad. “If the foreign indebtedness of these

countries continues to mount at its present pace, there is a danger that their governments will become insolvent” he said ... ”

Among suggestions for survival, Dr. Schaefer recommended:

“Avoid creating more Special (IMF) Drawing Rights, raising the price of gold, imposing import restrictions, or forcing trade among industrial nations in a bid to correct balance of payments problems ... ”

In early October 1977, Singapore’s Foreign Minister Mr. Rajarathnam, speaking in the United Nations General Assembly, predicted a Second Great Depression far more catastrophic than that of the 1930’s if industrial and Third World countries could not agree on a sane world economy. “There is a responsible body of opinion,” he said, “which contends that a second Great Depression ... is possible within the next few years. If this prognosis is correct, then no nation in the world can escape its consequences, and the first casualties will be from among the hundred or so members in this assembly listed as poor and developing ... ”

In the same month, *The Financial Review* (26.9.77) reported:

“A sense of anxiety about prospects for reducing unemployment and warding off protection was registered yesterday at a meeting in Washington of finance ministers and Central Bank governors of leading industrial and Third World countries. Emil van Lennep, secretary-general of the Organisation for Economic Cooperation and Development (OECD) told the gathering the Paris-based economic monitoring body had just revised downward its projections for economic activity next year ... The meaning of the OECD assessment is that the balance of risks is now on the downside and that the world economic recovery from the deep-set postwar slump could simply peter out by 1979 and 1980 if fresh action is not taken..”

With over 15 million unemployed in industrial countries at the time the statement was made, one wonders what economic recovery Mr. van Lennep was referring to. But his predictions of a worsening situation ahead err on the side of understatement. By February 1978 the United States was bluntly stating that only the revaluation of West German and Japanese currencies could put the industrial nations back on their feet and stave off the growth of Communism in Europe. A meeting in Bonn between U.S. Secretary of the Treasury, Mr. Blumenthal and the West German Chancellor Helmut Schmidt, broke up almost as soon as it began, with strong West German resistance to the U.S. proposals.

In a nation-wide broadcast on April 16th. 1978, the Australian Prime Minister warned that this would be a critical year. He pointed out that on a world-basis factories, industries and mines were producing below capacity and unemployment, especially among the young, was far too high.

FAVOURABLE BALANCE OF TRADE

The effect of the world's colossal debt-structure is that all nations are seeking to mitigate their growing domestic crises by artificial growth and an excess of exports over imports. World trade has been distorted from the natural and beneficial swapping of surpluses to the "favorable balance of trade" concept whereby all nations strive to export more than they import. Trade wars, which ultimately lead to military conflict, are the obvious result. Dr. Schaefer referred to the necessity of avoiding the forcing of trade among industrial nations in a bid to correct balance of payments problems. But he failed to point out that the occurrence of debt under the present system must of necessity induce such force.

The dilemma can be seen in the recent bid by Australia's Deputy Prime Minister, Mr. Anthony, and his New Zealand counterpart Mr. Talboys, to expand markets to Japan. Mr. Talboys recently made a call to New Zealanders to "export their way out of trouble."

At the same time, world monetary experts are advocating that industrial nations should **reduce** their own production, import more from under-developed nations, and transfer industrial resources to the Third World! If this is done, how, under the present system, do industrial nations service their debt-structures?

The Australian (28.3.78) reported:

"In the not-too-distant future the developing nations of this region, Australia and New Zealand included, will start to assault the strict trade barriers that have isolated super industrialised nations from a freer and expanded world trade.

Growing economic desperation and frustration are behind moves by Australia and New Zealand to ensure that these trade barriers crumble. The expansion of world trade, and particularly the escalation of trade with developing countries, virtually dominated the extensive talks at Nareen last week between the Prime Minister, Mr. Fraser, and the New Zealand Deputy Prime Minister, Brian Talboys. Both countries need this global expansion to boost their own flagging economies ... "

Coinciding with this urgency meeting, the British Prime Minister Mr. Callaghan warned on March 15th. 1978 of a world-wide economic malaise. He set out a list of six events which, he claimed, "could prove too much for the major powers to cope with." They were:

- * World-wide inflation
- * Breakdown of the fixed exchange rate system
- * Massive cash surpluses by the oil producing nations while the rest of the world recorded deficits
- * The OPEC surpluses resulting in liquid funds flowing around the world creating instability and uncertainty
- * Fresh competition for countries from super competitive developing countries
- * A decline around the Western world in the return on capital April 1975)

Mr. Callaghan put forward as a solution to this dilemma the acceptance of the proposals for a New International Economic Order.

He failed to describe the part played by the IMF and the World Bank in creating the very conditions he said were so dangerous - including the enormous deficits of the world, and the re-cycling of petro-dollars.

THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO)

Since the formal declaration for the NIEO made at the Sixth Special Session of the U.N. in 1974, a large number of conferences have been held to speed up and further its provisions. These include:

The World Population Conference (Bucharest August 1974)

The World Food Conference (Rome, November 1974)

Law of the Sea Conference (Caracas, December 1974 and on going)

Conference on Raw Materials (Dakar, February 1975)

Rome Convention (signed February 1975)

UNIDO Conference on Industrialisation of the L.D.C's. (Lima, March 1975)

First Preparatory Conference on International Economic Co-operation

(The North-South Dialogue, Paris, April, 1975)

OECD Declaration on Relations with Developing Countries (Paris, May

1975)

International Conference on Women (Mexico City 1976)

Third Ministerial Meeting of the Group of 77 - Manilla, February, 1976

which endorsed demands for the NIEO

World Conference on Employment, Income Distribution and Social Progress (Geneva, June 1976)

UN Conference on Settlements (Vancouver, June 1976)

Conference of the Non-aligned Nations (Colombo, August 1976)

Commonwealth Finance Ministers' Conference (Hong Kong September

1976)

Seventh Special Session, UNCTAD IV (Nairobi 1976)

and a series of emergency international finance meetings in 1977 and early 1978. As a result, proposals are now before member nations of the IMF to accept the proposals for a New Order.

WHAT S.D.R.s ARE ALL ABOUT

William McChesney Martin, former Chairman of Directors of the Federal Reserve System, lecturing at the Per Jacobsson Foundation meeting in September 1970, on the subject "A World Central Bank?" described the creation of Special Drawing Rights in this way:

"I move on now to speak about the most dramatic development to date in the process

of evolution toward a world central bank. This is the agreement to create **Special Drawing Rights**.

The SDR mechanism provides a direct and clear-cut central banking function and on a basis as world-wide as the membership of the International Monetary Fund. **International money is now being created deliberately and systematically and as the result of multilateral decision.** Such international money, **created by the Fund**, constitutes official reserve assets for those who hold it. In this respect, therefore, **the Fund is serving directly as a central bank** to the monetary authorities of the countries that make up this membership.

The Fund evolved towards this function gradually. For many years “reserve positions in the Fund” - that is, gold tranche and super-gold tranche positions - were usable by members virtually on an automatic basis and came to be regarded as part of official reserves. Thus, even before SDRs came into existence at the beginning of this year, a claim on the Fund served as international money.

The further evolution that occurred this year, after several years of study and negotiations, had to do with the manner in which such international money comes to be created. Reserve positions in the Fund are brought into existence in two ways. The first is the result of gold payments to the Fund members whose quotas are being increased; in this case, members simply exchanged one reserve asset - gold - for another - gold tranche position. The second is the result of the use of a member's currency in drawings from the Fund by other members; in this case, new reserve assets are created as the counterpart and by-product of IMF lending operations. The extent to which gold and super-gold tranche positions came into existence, in this second case, depends on the extent to which members use their credit tranches - that is the extent to which they borrow from the Fund. Thus the Fund itself has no control over the magnitude of reserve creation.

The big step forward under SDRs is that reserve creation in the Fund became a deliberate, conscious process. The decision as to how to create is made on the basis of careful judgment as to the need for reserves by the world community and on the basis of a recognition that world payments equilibrium requires an adequately-growing supply of reserves.

The evolution I have just described - whereby international money creation in the Fund as a by-product of Fund lending operations has been supplemented by a deliberate and direct process - is remarkably analogous to the historical evolution that occurred in the money creation process within individual countries. **Even before central banks existed, commercial banks were, of course, creating money as a counterpart to their lending activities.** But the extent of money creation was the

uncontrolled result of the extent of bank lending. It was only with the development of central banking that the rate of expansion of bank credit and money came to be deliberately regulated in the public interest ... ” (emphasis added)

CENTRAL BANKING

Mr. McChesney Martin's assumption that central banking on a national basis solves all the problems previously associated with unrestricted competition between trading banks is shared by a decreasing number of observers. Centralised regulation of the rate at which new money is created and lent has done nothing to assuage inflation, deficit-budgeting, the centralisation of power, endemic domestic deficits and enforced export policies which are aimed at mitigating their internal effects. He has evaded the argument that financial crises are due less to the expansion and contraction of credit than to the way in which new credit is introduced into each economy - up until the present solely by lending.

The creation of debt-finance automatically expands debt at a faster rate than the means of repayment - reflected in an ever-widening gap between effective purchasing power and the price structure, irrespective as to how much or how little new credit is introduced. Exports have been perverted from what they should be - the exchange of productive surpluses for mutual benefit - to an attempt to bridge this gap.

If central banking had, as Mr. McChesney Martin assumes, solved the problems of domestic budgeting, the world surely would not be on the edge of a financial collapse which threatens to relegate the Great Depression into comparative insignificance?

Upon this false premise, he proposed to transpose the domestic concept of central banking onto a world scale - by creating money in a World Central Bank as a means of “regulating” all domestic economies and world trade.

Nevertheless, his description of the truth that credit creation is effected by bank lending cannot be over-emphasised: for it was this fact which was most strenuously denied in the Depression during the thirties.

Mr. McChesney Martin conceded the effects of the SDR concept on national sovereignty in later remarks in the same address:

“ ... One often hears it said that the existence of a world central bank is inconsistent with the maintenance of national sovereignty. So it is, if by sovereignty one means what has been traditionally defined by that phrase - the unfettered right of national governments to act in whatever way they may choose in economic financial or defence matters ... It could even be said that what were once the principal objectives of sovereign powers - the maintenance of economic prosperity and of effective

defence - can now only be achieved by the acceptance of international arrangements which, by their very nature, impose limitations on the sovereignty of all the nations concerned ... Further evolution along the path toward a world central bank will require nations to accept further limitations on their freedom of independent action ... ”

That is what Australia is now being asked to accept. Involving as it does the alteration of the spirit and intent of the Commonwealth Constitution, the sovereignty of the States, the right of Australia to print and coin its own money system, and the position of the Crown. No such decision should be made without the informed consideration and sanction of the Australian people.

SANCTIONS

To believe that acceptance of the NIEO is mere participation in a process from which it would be possible to withdraw if desired is a mistake. Sovereignty, once lost, cannot be resumed as easily if at all. The process involves not only financial power, but political power as well.

Four years after Mr. McChesney Martin made his remarks in Basle, Conrad J. Oort, Treasurer-General of the Department of Finance of the Netherlands, Alternate Governor of the IMF for the Netherlands and Chairman of the EEC's Monetary Committee, gave the Per Jacobsson Oration at Tokyo in October 1974 - six months after the U.N. Declaration for a New International Economic Order.

After pointing out the difficulties of stability in the EEC until there was complete political and financial union - to be achieved by 1980 - Mr. Oort said:

“ ... The main pegs for international action in the Bretton Woods system were the adjustment of par value, which required Fund consent, and the granting of credit by the Fund.

The system has been criticised, among other things, for inducing or permitting an excessive rigidity of exchange rates and for implying an asymmetrical treatment of deficit and surplus countries. The proposals of the Committee of Twenty aim at correcting both defects by strengthening the positive role of the Fund on adjustment. Regular surveillance, assessment triggered by international judgement and by objective indicators, and a new political body to impose sanctions are proposed as improvements for the institutional framework of the future ... ”

It must be understood that, in agreeing to accept the NIEO, member nations also agree to accept a body with the power to apply sanctions.

Bhaskar P. Menon, Information Officer, Centre for Economic and Social Information,

the United Nations, in his publication *Global Dialogue - The New International Economic Order* makes this clear:

“ ... A second less-known function of the Fund is to formulate the rules of the monetary game which governments are asked to follow, and which, once they are accepted, the IMF is called upon to enforce. These rules are embodied in the Fund's Articles of Agreement. First adopted at Bretton Woods, these articles have been amended only once, in 1969, to establish Special Drawing Rights (SDRs) a new form of Reserve Asset, also sometimes known as “paper gold”. On March 31st. this year (1977) the Executive Directors of the Fund moved to amend the articles once again. They sent a series of proposed amendments to the Governors of the Fund who, after voting for them, submitted them to their governments for ratification. In many cases this requires parliamentary action, and therefore tends to take a year to eighteen months. The process is currently under way, and when 60 percent of the members, with 80 percent of the voting power, have signified that they accept the charges, the Articles will stand amended ... ”

Among the proposed amendments are included:

The enhancement of SDRs. “the new reserve asset which, it is hoped, will eventually become one of the principal instruments in the settlement of international payments deficits and in the accumulation of international reserves ... Governments will be able to use SDRs freely in dealings amongst each other, and no longer need to show the IMF that they have a special need to do so ... ”

And: “The establishment of a Council of Governors. The Council, in the words of Dr. Johannes H. Witteveen, Managing Director of the Fund, “will have the function to supervise the management and adaptation of the international monetary system, including the continuing operation of the adjustment process and developments in global liquidity and in this connection to review developments in the transfer of real resources to developing countries and to consider proposals to amend the Articles of Agreement.” The Council Members would be Governors of the Fund, ministers of member governments, or persons of similar rank.

Under the allocation of votes proposed “total votes of the developing countries would rise (from 28 percent) to 33 percent, enough to give them at least a theoretical veto power over most operational decisions which require a 70 percent majority.”

It seems to have been recognised for some time that provision for sanctions - and, obviously, an instrumentality to enforce them - was necessary to make a world money system operate. *The Financial Review* (28.9.72) reported, under the heading “US PROPOSES SANCTIONS TO ENFORCE MONETARY ORDER” as follows:

“US Treasury Secretary Shultz has proposed import surcharges “across the board” or

other penalties as part of international monetary reforms for use against countries that persistently refuse to revalue their currencies or take other appropriate action when they have chronic balance of payments surpluses. Shultz, addressing the International Monetary Fund meeting in Washington, also advocated what he called more stringent standards of behaviour for countries permitting their currencies to 'float' at a time when they are accumulating more monetary reserves ... ”

In the same year *The Herald* (Melbourne 20.6.72) reported:

“Japan is opposed to any plan to apply sanctions against nations which have balance of payments surpluses, Japanese monetary officials said today. They said experts of the International Monetary Fund were suggesting that clauses for sanctions might be written into the IMF rules when they were revised to set up a new international monetary system. The viewpoint of IMF experts is that the present rules had clear-cut provisions to deal with deficit nations, but the burden should be equally shared by surplus nations ... ”

An article by Jeremy Campbell, in London's *Evening Standard* (19.1.77) sums up the real nature of the NIEO proposition: it was, he said, “a carefully controlled plan to reshape the whole world economic system ... the men who dream of ushering in this new planetary era are strategically planted at the highest levels of Carter's administration ... ” Campbell quoted Richard Cooper, Carter's Under-Secretary for Economic Affairs: “The International Monetary Fund is the beginning of representative government at the global level ... in the future Cooper can see the IMF expanding to become a kind of central bank for the world, able to create money, not just borrow it ... ”

Cooper is behind the times. The IMF has been creating money as McChesney Martin pointed out, for some time. Neither did Carter's men originate the concept. The Keynes Plan, on the Bretton Woods Agenda, outlined the concept of a World Central Bank, an international money system, and even coined the term “Bancor “ currently being proposed as the name for the full-fledged SDR once the NIEO has been effected. But he is right in saying that this is a step towards the elimination of national sovereignties, and the establishment of a World Government. It is this, above all, which should deter Australia's participation.

INTERNATIONAL CONTROL OF COMMODITIES

It was also Keynes who, two years before Bretton Woods, in 1942, outlined the concept for International Commodity Control in a memorandum “The International Control of Raw Materials”. Although written in the war years - before the UN, the IMF or SDRs even existed - it was not until 1974 - the year that the Sixth Special Session of the UN made its Declaration for a New International Economic Order that

Keynes's memorandum was published.

The question occurs - how is it that decisions made in an international conference of the United Nations in 1974 - supposedly reached by democratic vote - concur so exactly with a memorandum written 32 years previously, and UNPUBLISHED UNTIL THE SAME YEAR AS THE DECISION? It is either coincidence, or long-term manipulation. Be that as it may, one aspect of the NIEO Declaration was the agenda for reform adopted at the UN Seventh Special Session in September 1975, Dr. Helen O'Neill, in her publication "A Common Interest in a Common Fund" published by UNCTAD says:

"The Programme emphasises the necessity of effecting structural changes in five key areas of international economic relations if the long-term developmental needs of the poorer parts of the world and a more just and peaceful world order are to be realised. These are:

Firstly, and most importantly, a new structure is needed to regulate world trade in primary commodities, with the objective of directing greater benefits to the developing countries in terms of prices, earnings, opportunities for processing and marketing, and control over their own natural resources, while at the same time ensuring continuity of supply for consumers at reasonable prices.

Secondly, the external framework within which the industrialisation of the developing countries takes place needs to be reformed, by, improving the mechanisms controlling the transfer of commodities, and by expanding the market opportunities in the developed countries for the exports of manufactured products from the less developed.

Thirdly, the international money system needs reform in order to bring it more into line with the long-term developmental needs of the L.D.C.s.

Fourthly, there is the need to strengthen co-operation (in trade and in industrial and infrastructural planning) between the developing countries themselves so that, through a policy of "collective self-reliance", the "peripheral" countries can reduce their excessive dependency on the economies of the "centre".

Fifthly, the NIEO calls for **a major expansion of trading and other links between the developing countries and the socialist countries of Eastern Europe.**"

To achieve this, UNCTAD is now resolved on the establishment of International Commodity Boards under its "Integrated Programme for Commodities" (IPC) which, as Dr. O'Neill points out, is a "crucial" part of the NIEO.

What commodities are under consideration?

Keynes, in his original 1942 memorandum, envisaged eight principal commodities - wheat, maize, sugar, coffee, cotton, wool, rubber and tin.

The UNCTAD IV Conference in Manilla in February 1976 broadened the range to include 10 “core” commodities - coffee, cocoa, tea, copper, tin, rubber, cotton, jute and hard fibres (the last including wool), and 8 “other” commodities - bananas, vegetable oils, meat, tropical timber, iron ore, bauxite, manganese and phosphates.

For each of these it is envisaged that International Commodity Boards be established, with power to control the market by financing buffer stocks, buying in when prices are low, and selling when prices rise. In conjunction, they would have power to put limitations on producing nations, transferring productive quotas from current producers to L.D.Cs.

When one considers that Australia, with 0.35 percent of the world's population, is first in the world in wool production, second in bauxite, third in iron ore, sixth in tin concentrates, seventh in wheat, seventh in sugar and ninth in copper, one can see the enormous implications for the economy of this country.

The present system of International Commodity Agreements (i.e. The International Wheat Agreement and the Sugar Agreement) are not sufficiently binding for the UNCTAD proposals, which are anticipated to involve both producers **and consumers** - in other words, that no transactions in the world for the 18 products listed could take place outside the control of the Commodity Boards. Dr. O'Neill puts it thus: “If it is accepted that the implementation of schemes to stabilise international commodity markets is a matter of world wide interest and if, further, international buffer stocks (since they operate through, and thus, improve the market) are seen as an effective instrument of stabilisation (and there seems to be general agreement on this point) then the financing of such stocks must be done on a partnership basis, a **compulsory partnership basis**, by calling on consumers as well as producers to finance the stocking schemes. Further ... an integrated programme for commodities, involving this simultaneous negotiation and implementation of a package of commodity agreements, operating through the markets, and preferably financed from one large fund, appears to offer a more appropriate mechanism than a set of individual and uncoordinated agreements. This is the type of package which has been proposed by UNCTAD in its Integrated Programme for Commodities, which is designed to regulate and stabilise world commodity markets and, thus, implement a crucial element in the New International Economic Order ...”

FINANCE FOR THE COMMON FUND

To finance this trade regulation, and the buffer stocks, a “Common Fund” is to be established, drawing its finance from two sources. An initial fund of \$6 billion is regarded as necessary to start - with a debt-equity ratio of 2:1. In other words, \$2 billion would be subscribed by producing and consuming nations as paid-in capital; and \$4 billion would be borrowed. Doctor O'Neill says: “The main sources from which the \$4 billion loan capital could be obtained are governments, international organisations and capital markets. All of these sources would, naturally, require guarantees. However, the main activity of the Fund (stocking) will be operated on sound commercial lines. This, in addition to the obvious collateral of the stocks of the individual commodity organisations, general government pledges and the ear-marking of a certain agreed proportion of the callable capital, should together provide sufficient security for lenders to the Common Fund ...”

What are the “international organisations and capital markets” which UNCTAD sees as sources for loan capital? The very lending corporations which have engulfed both developed and underdeveloped nations in debts beyond their capacity to pay! Only this time they will be creating (as explained by Mr. McChesney Martin) and lending to an international body controlling all buying and selling of primary products and raw materials using the collateral of the nations themselves to safeguard their investments! It is the most breath-taking proposition ever put before mankind!

Is the finance thus raised to be used solely to pay for buffer stocks? By no means, UNCTAD proposes two separate accounts - one to finance the international buffer stocks, and the second for “other” functions, Dr. O'Neill goes on:

“These “other” activities would include in accordance with the proposals for the Integrated Programme projects to promote diversification, increased productivity and infrastructural improvements in the commodity sectors of the developing countries. The impact on these economies would be, therefore, long-run and developmental. Because of this, there could be, so to speak, ‘no end to them’ and therefore no immediately quantifiable end to the funds needed to finance them ... they “could be promoted by making available to local and regional groups (for example, agricultural co-operatives) finances from the “second window” (account) at very concessional terms ... The Fund could play an important part in the co-ordination of international diversification schemes and prevent new situations of over-supply from developing. The UNCTAD proposals suggest that each commodity organisation could set up its own “diversification fund” which could borrow from the Common Fund’s “second window” and then re-lend to member countries or, alternatively, the Common Fund could lend directly to the member countries, with

the international commodity organisation playing a sponsoring and screening role. In both cases, international institutions could be used for project appraisal and supervision ...”

Where would countries like Australia raise the finance to pay into the Common Fund? Dr. O'Neill has thought of everything! “In addition to general taxation, or borrowing, other possible devices are the levying of duties on the imports or exports of the commodities covered of the programme ...”

COST OF ADMINISTRATION

Dr. O'Neill's publication contains this gem - “Because of the small number of borrowers (the individual commodity organisations) the staff, and thus the administrative costs of the Fund, would also be expected to be small.”

Such a forecast flies in the face of every bureaucracy in existence. If the Common Fund became involved in lending directly to member countries, and both appraising and supervising developmental programmes, Dr. O'Neill's prognostication is an irresponsible flight of fancy.

But what would be the administrative costs of eighteen international commodity boards, controlling both production and consumption on a global scale? A cursory glance at the proliferation of national marketing boards and their bulging bureaucracies, is enough to make the mind boggle when contemplating the same thing on a world scale.

The United Nations has never been noted for parsimony in paying salaries to its personnel. Almost half of every dollar spent by the U.N. goes in salaries and other overheads. The Secretary-General, Kurt Waldheim, receives \$ 120,000 annually, with rent-free accommodation in New York. He has a staff of 53, with \$ 37,000 for domestic help, \$ 8,000 for cars, \$ 25,000 for maintenance of his New York mansion. \$ 45,000 for airline tickets, \$ 40,000 for entertainment, \$ 38,000 for interpreters, \$ 5,000 for reproducing documents, \$ 2,000 for a couple of trips home to Vienna. No less than 73 United Nations diplomats earn \$ 60,000 or over, and the lowest paid position is above \$ 10,000. All salaries are tax free.

AUSTRALIA'S POSITION

Despite the enormous inherent dangers to Australia's sovereign independence and her trading viability, it is difficult to determine the current attitude - especially after the Prime Minister, Mr. Fraser's most recent visit to Japan. It seems doubtful whether the line he was espousing was endorsed by the Commonwealth Parliament, or whether the Parliament has even considered it. There seems to be a tendency for

Australia's external policies to be decided by one man, or at most by Cabinet, and effected before Parliament's sanction. In many cases, Parliament is told after the decisions have been made.

The *Sydney Morning Herald* (28.4.78) reported:

"... Mr. Fraser said he came to Tokyo to put Australia's latest thinking on the need to establish a Common Fund, and to drive home Australia's concern to get the Multilateral Trade Negotiations (MTN) back on course ... The MTN and the idea of the Common Fund are far removed from the domestic matters which usually occupy Mr. Fraser's time. His extravagant attention to them last week, hauling an entourage of officials and advisers far larger than that which accompanied him on his official visit to Tokyo in June two years ago to sign the Australian-Japan Treaty of friendship and co-operation, cries out for explanation.

The idea of a Common Fund to finance buffer stocks for agricultural and other commodities, to iron out the wild price fluctuations of raw material exports on which the economies of many developing countries rely, emerged from the fourth UN Conference on Trade and Development (UNCTAD) in Nairobi in May 1976. There was a quick, sharp polarisation between the developed countries, known as Group B, of which Australia is a member, and the developing countries known as the Group of 77.

The developed countries, notably West Germany, Japan and the United States, **saw the Common Fund as a cartel that threatened to distort the market in raw materials, forcing prices up. They saw the developing countries' attempt to extend the idea of the Fund to pay for other measures related to commodities such as disease-control programmes, improvements of storage facilities and marketing methods - as a sign that developing countries, especially poorly governed ones, would turn the Fund into a pork barrel to exploit without regard to cost.**

The developing countries, in the face of what they see as the developed countries' refusal to take the fund idea seriously, have made the fund an article of faith, an **ideological commitment.**

Australia had reservations at first about the Common Fund, but now favours it and has now begun to try to persuade other Group B countries on two points. Australia now advocates the principle of **direct government contribution to the Fund and the idea that the Fund should finance measures other than mere market intervention to stabilise commodity prices.**

Mr. Fraser said in Tokyo: "The Australian Government has broadened its approach to the Common Fund, believing that the Group B countries and the developing

countries have both got into too rigid positions. We want to try to help bridge the gap between them ... ” (emphasis added)

In making such a statement, was Mr. Fraser speaking with the considered endorsement of the Commonwealth Parliament to all that is involved? Was he speaking with the considered support of the National Country Party, which claims to represent a big sector of producers of the commodities in question? Had he the consent of industry organisations and leaders in the field of primary industry and mining?

Or was he merely “going along” with international pressure to conclude the deal as quickly as possible. Such pressure is considerable. Just after the 1976 Nairobi Conference, *The Financial Review* (30.7.76) reported:

“The heaviest artillery in the existing international economic order is aimed at the world’s commodity markets. The have-not nations are shooting for a greater share of control over commodity pricing, more price stability and higher prices for a number of raw materials ... With foreign aid in eclipse and increasing doubts about how long commercial banks can continue to finance those deficits, *the poor nations argue that higher commodity prices will be necessary to fight the imbalance of international payments ...* ” (emphasis added)

In other words, the Common Fund is seen by L.D.Cs. as an instrument to transfer benefits from nations such as Australia, so that they in turn can pay the bankers. Mr. Fraser’s complicity in such a proposal - apart from effects on Australia’s national sovereignty - is a strange one indeed. But what sacrifices do the bankers make? None at all, it seems. In fact there will be a nicely guaranteed corner of the Common Fund just for them.

The First International Commodity Board has just been set up - for rubber. The six major rubber exporters - Malaysia, Thailand, Singapore, Sri Lanka, India and Papua New Guinea, with 95 percent of the world’s production between them - have been persuaded by UNCTAD to “come into the parlour”,

Australia would be well advised to observe the effects before committing herself to similar programmes.

CONCLUSION

The general situation in the world is so uncertain that an international economic crisis could break at any time. Current factors existing in domestic economies and in the field of international trade are so ominous that such a crisis is probable rather than possible.

That probability is being used to persuade nations into the New International Economic Order. It is presented as the only possible alternative to disaster. Its provisions entail an ultimate centralisation of power, leaving no room for national sovereignties. Global planning, it is emphasised, is the only remedy for international competition and friction.

Great pressure and coercion is being generated to overcome the natural resistance of national leaders - especially those who cherish the sovereignty and independence of the nations they serve.

An ominous illustration of this pressure was contained in London's *Sunday Times* (30.10.77), wherein it was reported that "at a high powered United Nations Conference in Tunis ... a few selected Western journalists were told we were to blame for public opinion being so badly informed about changes to the modern world. And so it was our fault that Western Governments were so stubbornly reluctant to surrender their riches and privileges to the fair and just demands of these poorer countries ... (Third World) leaders are convinced to the point of arrogance, that their demands are so evidently just and fair that the West would not turn them down unless its public opinion was manipulated by a corrupt and lying Press ... The United Nations is calling on journalists to accept these arguments and urge them on their readers ... "

DANGEROUS PRECEDENT IN THE WOOL INDUSTRY

The part played by the International Wool Secretariat indicates the dangers to be considered. This body is largely financed by the compulsory levy on Australia's wool-growers. Its ostensible purpose is the promotion of wool internationally. However, wool-growers are unable to obtain a detailed explanation from the IWS of the expenditure of what is, after all, their own money.

Mr. David Grace, director of Information for the New Zealand Wool Board, in an article in *The Press* (N.Z. 14.3.75) showed how the International Wool Secretariat was providing technical advice and direction in a \$ 128 million programme to re-equip the Soviet Union's wool and textile industry:

... .. As a pilot operation the Ministry of Light Industry has chosen two large Moscow Mills for development; the Kalinin Mill engaged in topmaking and spinning, and the Kuntsevo Mill where cloth is woven and finished. Both are exclusively pure wool mills - something hardly found now in the western world. Since 1966 the Ministry has been in touch with the I.W.S.. As co-operation has developed, the secretariat has played a growing part in the programme. At the end of 1970 the Ministry told the I.W.S. of its plans for the Kalinin and Kuntsevo Mills and invited the Secretariat to make recommendations. Mr. Ransart, a Russian-speaking Belgian, has a staff of

15 serving the textile industries of Eastern Europe and the Middle East ... All this service to the Russian industry is financed by the wool-growers of Australia, New Zealand, South Africa and Uruguay ... ”

Australian wool-growers who asked to see the signed agreements between the I.W.S. and the Soviet Union were told these were not available for general publication!

Now the Australian Wool Corporation has begun to stock-pile wool bought in by its own operations in overseas countries. Stocks have been built up in nine overseas countries - some prone to strategic threat, like South Korea and Israel. Apparently no thought has been given to the strategic aspects of such a policy.

Again, the key to the Wool Industry's operations and problems is finance. Initially the Reserve Price mechanism was financed by loans from the Reserve Bank. Interest charged was as high as 11% percent. By contrast, New Zealand's floor price scheme is financed by its Reserve Bank at 1 percent interest.

Mr. Sinclair's decision to allow commercial involvement has enabled Rockefeller's Chase Manhattan to enter the field, with a \$ 40 million loan to the A.W.C. All that has happened is that another Australian industry has been forced to exchange usurious terms from the Reserve Bank for yet another foreign loan.

OVERSEAS LOANS AND THE CREATION OF CREDIT

The over-riding question emerging from the debate on the N.I.E.O, and its ramifications, ultimately concerns the creation and lending of money.

How is it that, not only are the Third World countries engulfed in debt; not only does the Soviet Union have a trade deficit with the West of approximately \$ 40,000 million; but the industrialised West itself - in the middle of the greatest productive era in recorded human history - also staggers under a huge and escalating debt burden?

If the only solution being considered is a one-world money system and its corollary - one-world government - is it not conceivable that Australia could solve its own problems, reduce its costs, defend itself adequately and provide a prosperous environment for all its peoples by resorting to its own banking system?

Why allow overseas instrumentalities or commercial interests to create and lend to Australia - with disastrous social and national consequences - the credit which constitutionally we could - and ought - to create ourselves?

COUNTERPART FUNDS

What happens when a loan is raised overseas, or foreign capital investment in Australia takes place?

The mechanics of the transaction are little understood. Queensland economist H.W. Herbert has explained this on many occasions:

“ Getting \$ 100 million from overseas expands the money supply inside Australia by \$ 100 million. The Reserve Bank issues counterpart funds in new Australian dollars to match the overseas money (which stays in London or New York and adds to the Reserve Bank’s international reserves).

Using overseas money is every bit as much “printing money” as Government spending or enlarging the budget deficit or expanding trading bank advances. Mr. Fraser and his Ministers allow the Reserve Bank to create an extra \$ 100 million of new money for a foreign company to start a mine, but will not allow the Bank to advance \$ 100 million of new money to an Australian company to do so ... (AN ECONOMIST’S VIEW, H.W. Herbert, *Sunday Mail* 2.7.77).

In an earlier article - (30.7.72) - Mr. Herbert gave a significant example:

“ ... How can foreign capital come into Australia and also build up our overseas reserves? This vital, superficially confusing process is still not understood by a lot of people in positions of power. When an overseas investor or lender “sends” money to Australia, the US dollars or UK sterling IS paid to our Reserve Bank’s branch in New York or London where it stays, the Reserve Bank buying US or UK bonds with it. Simultaneously the Reserve Bank in Australia issues (creates) “counterpart funds”, crediting the investor’s Australian bank account with the equivalent value in Australian dollars ... **Failure to understand the capital in-flow process is causing the absurdity of continued overseas borrowing, even by semi-official bodies.**

Last week the W.A. bulk wheat organisation raised \$ 42 million overseas to finance a bulk terminal at Kwinana. Interest will be 7 percent with the loan guaranteed by the State (Labor) Government, which is exultant about the loan. The terminal will be all Australian labour, materials and know-how, The Australian dollars that pay for it will be created by the Reserve Bank here as counterpart funds.

If the resources are available to build it, **why borrow overseas at all?** Why doesn’t the West Australian Government borrow direct from the Reserve Bank? It would be the same amount of credit creation, but the interest would stay here ... ”

The significance of Mr. Herbert’s point is deepened by the new move for semi-government authorities to seek overseas loans outside the “Gentlemen’s Agreement” of the Loan Council.

AUSTRALIAN PRECEDENT

The Report of the Select Committee of the Tasmanian Parliament on the Monetary System, produced in 1935, gives this example on Page 15:

“ ... In 1921 a deputation from the Australian unemployed waited upon Sir Denison Miller, Governor of the Commonwealth Bank, owned by the people. A member of the deputation put the following direct question to him:- “In a recent address in London, Sir Denison, you stated that to meet the necessities of the war certain things had been done by you which, before the war, would not have been dreamt of. You advanced Australia over £ 350,000,000 for war purposes, and you stated that, had the war continued, you would have advanced another £350,000,000, Are you now prepared to advance Australia £350,000,000 for productive purposes?
Sir Denison Miller replied: “Yes, I shall do my best.”
(Also quoted in Dr. L.C. Jauncey’s book *Australia s Government Bank*.

The Commonwealth Bank had, in fact, opened its doors on July 15th. 1912, with no subscribed capital and with assets of only £10,000 in the form of a loan from the Commonwealth Government. It was able to provide the sum of £ 350,000,000 only two years later by the orthodox technique of credit creation. Interest charged on the loan was five-eighths of one percent!

Sir Denison Miller amplified his post-war remarks in the Australian Press on July 7th. 1921, when he said:

“The whole of the resources of Australia are at the back of this bank, and so strong as this continent is, so strong is this Commonwealth Bank ... Whatever the Australian people can intelligently conceive in their minds and will loyally support, that can be done.”

CORRECT USE OF AUSTRALIA’S CREDIT

The correct use of the Reserve Bank in the field of credit creation could make possible:

- (1) A massive reduction in taxation, by using long-term, low-interest Reserve Bank credit for all capital works instead of taxation revenue.
- (2) The amortisation of debts on government instrumentalities, such as the railways, the postal and telecommunication services, effecting drastic reductions in costs to industry and consumers.
- (3) The reconstruction of Local and State Government debt onto a long-term, low interest base, with the amortisation of that portion of these debts which are owed to government instrumentalities - the savings thus effected being returned to consumers in the form of cheaper rates and services.

(4) The re-negotiation of all private loans to overseas sources, increasing Australia's equity in her own industrial base.

These and similar policies would result in a massive reduction in costs to industry, creating an atmosphere in which tariffs could be reduced without disruption, and where local industry could effectively compete with imports. This would increase Australia's self-reliance. It would also provide an economic environment wherein producers faced with overseas market gluts could reduce production without injurious penalty.

From such a position Australia could effectively trade with other nations without resorting to the desperate cut-throat bid for world markets such as prevailing at present.

Australia's aid programme could be decided on a national basis, within an environment and at a rate conducive with the maintenance of the prosperity and well-being of her own people. The idea that one area of the world can only be developed by reducing standards of prosperity in another is false, and should be rejected,

IN SUMMARY

The New International Economic Order - so often painted as an enlightened concept to solve the problems of humanity - is, in reality, the greatest centralisation of power ever proposed. Power is a corrupting force, and absolute power corrupts absolutely. The greatest instrumentality of power is the right to create and distribute money. It is a right which Australia on no account should relinquish. For, by doing so, effective foreign policy, defence, and ultimately sovereignty would be sacrificed in the process.

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