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The Achilles Heel of the Conservative Movement by Eric D. Butler

Introduction

This article was published in *The Canadian Intelligence Service* in October of 1968. It has been reproduced at this time because it may well be that desperate people now need its message more than at any previous time. The author, Mr Eric Butler, is the well-known Australian lecturer and writer on international affairs, politics, economics and history. He has spent much of his life directing the attention of ‘conservatives’ to a weakness in their movement - a failure to understand the realities of finance, and how their ignorance in this field is continuously, and effectively, used to hamstring them.

Mr Butler claims that no conservative movement can halt the growth of the Welfare State, Socialism or Communism, until it promotes a change in the basis of credit creation and its control. He warns that centralised credit control is a powerful instrument being used to create a programme of economic and political centralism, leading ultimately to the World State, or to the collapse of civilisation. The result of failing to observe such warnings has been that the true conservative has largely been drawn into the dialectical left/right debates designed to obscure the root cause of the present political and economic discontent.

Verbal champions of freedom have often persuaded him to offer his allegiance to alleged ‘conservative’ or ‘Right-wing’ political parties, who, while continuing to further the causes of revolution, publicly maintained the pretence of “anti-Socialism.” This has produced, as intended by those in charge, the required degeneration in the social morale and credit, issuing in “the sort of irrational and furious discontent which can be channelled into revolutionary violence.” But the famous British historian, Sir Arthur Bryant, in his preface to his excellent “*Spirit of Conservatism*,” maintains that “With the ‘malice which the rage of party stirs up in little minds,’ the true Conservatism has no part.”

In his preface to Sir Arthur’s book, Colonel John Buchan describes the true Conservatism: “It is not an abstract dogma, for it is always close to facts. It is based upon certain fundamental principles, but inside these principles it cultivates a wise opportunism. Above all things, it is a spirit, and the fruits of that spirit are continuity and unity.”

There is still in New Zealand, a tough core of common sense and mutual faith which may yet save the nation from the worst extremes of Socialist tyranny. But like a rudderless ship, the true conservative movement is powerless to make a constructive contribution towards reversing current trends toward the Socialist State without grasping the realities of finance.

This booklet makes that challenge to New Zealanders.

David Thompson, Director, New Zealand League of Rights

The domination of international affairs by Communism since the end of the Second World War, and the results of Socialist and Welfare State programmes in most non-Communist nations, have produced a reaction in the form of groups, movements and journals advocating conservatism as the only basis upon which a genuinely free and progressive society, with security for the individual can be developed.

This conservative movement is strongest in the United States, where it finds a variety of expressions ranging from movements like the controversial John Birch Society to what is regarded even by its critics as the “respectable” *National Review*, edited by the entertaining Mr William F. Buckley, Jr.

In spite of controversy between individuals and groups inside this conservative movement, and the presence of a genuine “lunatic fringe”, there is no doubt that this movement has had a tremendous impact inside the U.S.A., while also making a stimulating contribution to conservative movements throughout the rest of the English-speaking world.

One of its most valuable contributions has been to make available a wide variety of excellent books at prices which make a large circulation possible. Classics by great conservatives of the past, men like Edmund Burke, have been republished. A number of well-produced journals offer valuable information and comment on a wide variety of subjects of interest to conservatives. No one has appreciated, and enjoyed all this development more than I have.

I have no patience with those who cannot see that any efforts which help to hold up the Communist advance, so far from being merely “negative” do provide a chance against a certainty. They make it possible to preserve a base of sufficient freedom from which the Communist threat can be fought. But while I agree that where the enemy is at the gates, it is no time for protracted debate on how to reconstruct the city being defended, it is a matter of life and death to make certain that no support is given in any way to enemy tactics by failure to do what is necessary for adequate protection. No Achilles heel must be left exposed.

The Achilles heel of the conservative movement everywhere is its failure to grasp the financial and economic realities of the modern industrial age. Conservative principles of limited, decentralised constitutional government; free, competitive enterprise, with expanding freedom for the individual; must continue to be eroded so long as there is no realistic challenge to the basic causes which make increasing centralisation of power in all spheres inevitable. It is a failure to deal with these

basic causes which makes defence against the most deadly Communist tactic - economic warfare - impossible.

I have read extensively, and with much benefit, from American conservative journals, including those dealing with “Christian economics,” but I have yet to read one article indicating a clear grasp of how the finance-economic system actually works. I have read many excellent articles on the importance of the consumer control of production through the “money vote”, but no examination of where or how these “money votes” originate, and whether modern industry automatically distributes sufficient to meet the total prices of the goods produced by industry.

I have studied articles on the astronomical private and public debt structure, but those conservatives deploring this, and rightly so, appear to be ignorant of the fact that without an alternative to a progressive expansion of the community’s money supply through progressive debt, the American economy, like every other modern economy, would collapse in complete chaos. No alternatives for expanding purchasing power without debt are offered.

It is true that some conservatives make references in general terms to the necessity of Congress exercising its “constitutional right to control currency and credit,” with attacks on the Federal Reserve system, while some of the more informed, like Mr Gary Allen in the John Birch monthly, *‘American Opinion’*, of May, 1968, name the figures associated with the international financial firm of Kuhn, Loeb and Company, and stress the nexus between these international financiers and International Communism. But there is no analysis of the mechanics of credit creation and issue through the banking system, and the enormous power exerted over a nations credit - its productive capacity - by those creating financial credit against this real credit.

Inflation is correctly described as an immoral and socially destructive development; but generally by specific reference or by inference, it is stated that inflation is caused by “excessive wage demands.” As with most increased taxation, increased wages must be charged into costs by industry and reflected in higher prices to the consumer, but the basic cause of inflation is the prevailing concept of expanding financial credit.

Generally speaking, demands for wage increases are an attempt to sustain the eroded purchasing power of the dollar.

Because Socialist economists are familiar with the mechanics of credit creation and issue, they are in a strong position to use the credit system to produce increasing friction through inflation, which they can then exploit. Until their conservative opponents make themselves familiar with this subject, they will always be on the defensive, with many of them making statements which, without being offensive, can only be termed dangerous nonsense.

I find it embarrassing to read of conservatives attempting to argue that the expansion of financial credit in a modern, rapidly expanding industrial society,

should be related in any way to the rate at which a comparatively rare metal, gold, can be mined. Does anyone really believe that if the U.S.A. suddenly lost all its gold, that the American people would be unable to make use of their vast natural resources, operate their advanced technology, and provide themselves with the consumer goods they desire? The question has only to be asked to see how silly it is.

But someone will immediately raise the question of international trade and the “favourable balance of trade.” In a report issued on May 29, 1942, the London Chamber of Commerce observed that “It is an obvious absurdity that nations should regard it as necessary to export their real wealth, not for the purpose of paying for imports, but in order to solve their domestic unemployment problem by passing it on to other countries. Exports with this end in view are nothing more nor less than an excuse for distributing wages to people who otherwise would be unemployed.” The Chamber submitted that “international trade must now be raised to its true function: that is, nothing more nor less than an exchange of goods and services of a mutually advantageous character.”

This was realism from a group of the world’s most experienced businessmen, who also observed that the manipulation of exchange rates stems basically from the drive to obtain a “favourable balance of trade.” It is elementary that **not all nations** can have a “favourable balance of trade”; if some have this “favourable balance,” then others must have an unfavourable balance.

The Communist Empire is not over-interested in the fact that it has an unfavourable balance of trade with the Western Nations. Long-term financial credits extended to the Communist Empire simply mean that the production system of Western nations is put to work to provide urgently required production for the Communists. The credits are, of course, distributed in the nations producing and exporting the production and help to maintain domestic purchasing power. From a realistic point of view, the Communists gain and the exporting nations lose. Exactly the same process takes place with “foreign aid” programmes and the financing of under-developed nations.

It is to the credit of many American conservatives that they are opposing exports to their deadly enemy, the Soviet Union, and “foreign aid” and various types of loans (most of which will never be repaid) to countries which either waste the assistance, or use it to implement Socialist dictatorships. But under present financial policies, there is tremendous resistance to stopping foreign loans, and other forms of “foreign aid,” because in the absence of a constructive alternative, large numbers who obtain financial returns through these activities are going to suffer.

Like Canadian and Australian wheatgrowers, who in recent years have been exporting much of their production to Red China, American wheatgrowers whose wheat has been exported to the Soviet Union are not Communists. But so long as they receive purchasing power from this exporting, and are provided with no real alternatives for achieving a financial income, they are going to rationalise the truth

that they are working for the Communists. They are ready victims for the subtle propaganda line that “trade leads to better understanding.”

The primary cause of striving for a “favourable balance of trade” is a chronic deficiency in the flow of purchasing power, becoming progressively more acute in industrial nations as they move further along the road of semi-automatic production, using solar energy.

Most conservative criticism of the Fabian Socialists and the financial and economic policies of the Fabian Socialist Keynes, ignores the fact that because Keynes and his followers grasped the flaw in the finance-distributive mechanism in the “capitalist” system, they have been able to exploit this successfully to advance their own policies.

Reviewing William Buckley’s book *“The Jeweller’s Eye”* in the Toronto “Telegram” of August 3, 1968, Socialist Earl Berger makes the following pertinent comment:

“He (Buckley) is distressed about the growth of the welfare state, but does not examine the failings of the free enterprise system which make the growth of a socialist support system necessary.”

Until the conservatives can answer this type of comment realistically, they are always going to be on the defensive. The drive for export markets, “foreign aid” programmes, including long-term credits, increased domestic spending by governments on capital works, Welfare State schemes, instalment buying of consumer goods, are all simply methods used to overcome the deficiency of purchasing power.

Influenced by the writing on “Imperialism” by the early Fabian socialist, J.A. Hobson, Lenin grasped the implications of the “Capitalist” nations attempting to make their domestic economies work through a “favourable balance of trade.” He predicted that the “deaf mutes” would “fling wide open their doors, through the emissaries of the Comintern and Party Intelligence agencies will quickly infiltrate into these countries disguised as our diplomatic representatives ... Capitalists the world over and their governments will, in their desire to win the Soviet market, shut their eyes to the above- mentioned activities. . . .”

Lenin predicted that the “capitalists” “will furnish credits . . . they will be labouring to prepare their own suicide.” Subsequent history has dramatically confirmed the Lenin prediction.

The economic realities of export drives are generally not understood because of ignorance about finance. It is a thought-provoking fact that one of America’s biggest export drives was during the Second World War; much of the nation’s economy was geared to a flood of war production, all designed to “export” instruments of destruction against the Germans, Italians and Japanese. So vast was America’s productive capacity that although millions were in the armed services, being fed, clothed and paid, with millions more devoted to producing “exports” to pour against

the military enemy, the average real standard of living in America was higher at the end of the war than it was at the beginning. From a realistic economic point of view, the colossal military “export” drive was sheer economic loss. But it did accomplish what Roosevelt’s Socialist New Deal had been unable to achieve before 1939, primarily because a much greater volume of new financial credit was created and spent into circulation via tremendous war production and the payments of millions of servicemen.

One of the disasters of the Second World War was that it conditioned people in America and other non-Communist nations, to accept the Socialist teaching that their economies could only work with increasing expansion of purchasing power through Government, or Government-sponsored projects, and the Welfare State. Two American economists have been reported as arguing that even if elaborate space projects have little other real-use, they do provide an unlimited export market into space, thus assisting the American economy to work.

The essence of Fabian Socialist financial policy, which has the support of the big international financial groups, is that financial credit is created and distributed through sophisticated forms of economic sabotage, including exports to the Communist empire to prevent it from collapsing, with increasing control of the individual through economic centralisation, this being used to justify political centralisation. High taxation, including that most insidious form known as inflation, and death duties are used to ensure that no one can obtain genuine independence. Those who complain are asked do they want as the alternative - another Great Depression, which it is taught was the result of “uncontrolled free enterprise,” “trade cycles” and, of course, “the wicked profit motive.”

If conservatives are going to counter the Socialist brainwashing of the past 50 years, they will have to start with an explanation of what really happened in 1929, and stop perpetuating some of the myths some conservatives accept.

CAUSE OF THE “GREAT DEPRESSION”

The Great Depression in the USA, and in all other countries, was primarily the result of those controlling credit creation through the banking system, suddenly and without warning, drastically reducing the rate of credit creation while at the same time destroying purchasing power by calling up loans and overdrafts. Republican Congressman Louis T. McFadden, put the matter clearly in 1931 when he told the American Congress:

“The international financiers sought to bring about a condition of financial despair and anarchy, so that they might emerge as rulers of us all.”

As a former President of the Pennsylvania Bankers’ Association, and a Chairman of the House of Representatives’ Banking and Currency Committee Mr McFadden was well qualified to speak on finance and associated matters.

Addressing the Democrats in Congress on January 31, 1934, he told them that they had “seized the public resentment” against the disastrous policies of the “self-styled financial experts” and had then “turned over the process of government to the very same individuals who had wrecked us as financial experts, giving them barely time to change their clothes and re-christen themselves economic experts. You asked and received unlimited power in the name of emergency and then turned that power over to the men you had denounced as criminals. . . . Men who acquired fortunes by swindling the public as individuals are now placed in official positions.”

This type of comment, Mr McFadden’s exposure of the financing of Soviet Russia through Germany by Wall Street international financial groups, and the relationship of these groups to advancing Socialist programmes in the English-speaking world, resulted in a massive campaign by these financial groups and their New Deal allies to successfully drive McFadden from Congress in 1934.

After Americans had experienced nine years of unparalleled economic activity and expansion, with the highest material standard of living any people in the world had enjoyed up until that time, just prior to the start of the Great Depression late in 1929, prices were still at a profitable level. It’s not a fall in prices that caused the depression, as has been sedulously propagated, but the action at the end of October by the New York banks when they suddenly called in nearly every overdraft and advanced the rate of “call money” from a normal 3 per cent to thirty per cent or more.

“Call money” was day-to-day money generally used by industrialists to pay wages.

The reaction was immediate as borrowers threw their considerable securities on to the market in an endeavour to meet bank demands, and to finance wages. But there were few buyers because of banking policy.

Total national income in the U.S.A. dropped from 82 billion dollars in 1929 to 48 billion dollars in 1932. The overall result was over 200,000 bankrupt firms, over 12 million people were unemployed, and an appalling drop in the standard of living. A prosperous and confident people were delivered a disastrously disruptive attack on their society, not because of any defects in their highly developed free enterprise production system, but because of a policy of financial restriction.

It is instructive to recall that President Hoover, by profession an engineer, and therefore more of a realist, indicated that he realised that the basic cause of the developing disaster was financial when he sent an official memorandum to the Chairman of the Federal Reserve Board, Mr Eugene Meyer, suggesting he reconsider the Board’s policy. Mr Meyer merely acknowledged receipt. No action was taken. He subsequently became Chairman of Roosevelt’s Reconstruction Finance Corporation.

It is important to note that 10,000 of the smaller banks had failed in the U.S.A. by early 1933, and that after Roosevelt had first closed all banks, only selected banks

were permitted to re-open. This major step towards centralization of the American banking system, and credit control, met with the approval of the Warburgs who had brought the Federal Reserve system into the U.S.A. from Germany.

One of the virtues of the old American banking system had been the prohibition of branch banking by the mammoth Wall Street banks, with the result that there was real competition between the thousands of small banks, and a fostering of local, decentralised economic development. But the weakness of the smaller banks was that in any “run” on the banks, they were the first to close their doors because of their inability to meet their depositors’ demands to be paid in cash of some type. Which brings us to the subject of credit creation by the banking system, a subject which conservatives are generally either ignorant about, or do not mention.

Upon the outbreak of the First World War, even the Bank of England had to close its doors when a “run” took place. Depositors and those possessing Bank of England notes believed the convention that the Bank could meet all its liabilities in gold sovereigns. But, as Macaulay points out in his history of England, modern banking practices started when goldsmiths started issuing more receipts than gold and other valuables held. These receipts were the lineal ancestor of the modern bank note. Eventually, some dishonest gold-smith discovered from experience that it was safe to issue more receipts than gold and other deposits of wealth, because more and more people were content to use the receipts rather than be constantly withdrawing the gold. But what started as a fraud developed into a much more flexible money system. The process became the basic convention of the modern bankers, the descendants of the goldsmiths.

It is a long time since gold sovereigns were used as money, while what is today termed “cash”, either in notes or coins, is a very small proportion of the total money supply of any modern country. The great bulk of money is today created in the form of bank, or financial credit with the cheque system (late 1960s-early 1970s...ed) providing the most flexible financial system possible.

THE CREATION OF CREDIT

A large number of authoritative statements can be quoted concerning the creation of money in the form of bank credit by the banking system, but the following are sufficient for the purpose of this article:

“I am afraid that the ordinary citizen will not like to be told that the banks can create and destroy money. The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. We know that this is effected. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one.”
The Hon. Reginald McKenna, Chairman of the Midland Bank, England, 1924.

“It is not unnatural to think of the deposits of a bank as being created by the public through the deposits of cash representing either savings or amounts which are not for

the time being required to meet expenditure. But the bulk of deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on overdraft or purchasing securities a bank creates a credit on its books, which is the equivalent of a deposit.”

Report of the MacMillan Commission on Finance and Industry, Great Britain, 1931.

“You will find it in all sorts of documents, financial text-books, etc. today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit.”

Mr H.W. Whyte, Chairman of the Associated Banks of New Zealand, giving evidence before New Zealand Royal Commission on Banking, 1955.

“That is what they are for (to create the medium of exchange)

That is the banking business, just in the same way that a steel plant makes steel. .

The manufacturing process consists of making pen-and-ink or type-written entry on a card or in a book.”

Mr Graham Towers, Governor of Central Bank of Canada, giving evidence before the Canadian Committee on Finance and Banking, 1939.

Robert Klinck - Root of All Evil youtube video here: <https://youtu.be/YyYOK7PJE4>

Money Creation in The Modern Economy - Bank of England Report

The uninformed will immediately respond by asking why, if the banking system creates money in the form of credit with pen and ink, is there any limit on this credit creation? But convention still operates and, as the MacMillan Report observed, banks observe a general ratio of one unit of cash to every nine units of credit created. Trading Banks also treat credit created by Central or Government banks as cash, which means that the broad rate of credit expansion by the trading banks is governed by the policy of Central Banks.

The Great Depression was used to develop the system of Central Banks everywhere, with the International Financial group in accord with the Socialists. For example, it was symbolic of the nexus between International Finance and International Socialism that Sir Otto Ernst Niemeyer, associated with the Bank of England, and Professor Theodore Emmanuel Guggenheim Gregory, a Socialist economist from the London School of Economics, visited Australia and New Zealand during the Great Depression to “advise” the Governments on the necessity for developing a “strong” Central Banking system.

It was only after the banking system had been centralised as a result of the Great Depression, that credit started to be made available at a faster rate - BUT ON TERMS. And the terms in the U.S.A. were acceptance of the Fabian Socialist New Deal.

Then came the next international crisis, the Second World War, which was used to centralise control of banking and credit still further. Out of the Bretton Woods agreements of 1944, came the World Bank and the International Monetary Fund.

It was appropriate that the principal architects of this further centralisation should be Soviet agent, Harry Dexter White (Weiss) of the American Treasury Department, and Fabian Socialist Economist J.M. Keynes, and that their good work should be endorsed by international financiers like the Warburgs and Rothschilds.

The British Socialist Party accepted the Bretton Woods agreements, the only substantial opposition coming from a section of the Conservative Party. Lord Rothschild found no difficulty in leading the Socialists in the House of Lords. Today a member of the Warburg group, Sigmund Warburg is Fabian Socialist Harold Wilson's "private financial adviser." He has urged Mr Wilson to get Britain into the European Economic Community, another programme of centralisation. I have seen little realistic criticism of this programme by American conservatives. The first concept of a United States of Europe was put forward by Leon Trotsky.

"PAPER GOLD"

The latest move in creating a complete International Credit monopoly came with the proposal to create a new international currency termed "paper gold." But it was necessary to pave the way with another crisis, this time about gold. It has become obvious that even with an increase in the price of gold, this metal cannot be mined at the rate necessary to meet the requirements of international trade. Thus the necessity for "paper gold." "U.S. News & World Report" of April 15 explains that "this new money... is to be created billions' of dollars worth out of thin air." The article says, after asking the question, is this 'paper gold' "to be created by a stroke of a pen? ", that the "new money will be backed by the full faith and credit of nations." Which brings us to the nub of the whole question of credit- creation "out of thin air."

CREATION OF CREDIT

Like any other form of money, financial credit - or "paper gold" - has no value whatever IN ITSELF. It is not wealth. But it is created against real wealth and real credit, productive capacity. It is merely the bookkeeping which enables the real credit to be used. But instead of the bookkeepers being the servants of the community, they have become the masters. This is not a criticism of ordinary banking officials and managers. They are generally not overpaid. But the very honesty and integrity with which they operate the credit system, helps to provide a protection against effective action to correct a policy which insists that the community must go increasingly into the debt of those who issue financial credit.

Communities and nations are going progressively into deeper financial debt in order to make use of their own productive capacity. Those controlling the highly centralised banking system are therefore in the position to dictate the policies of nations. The British Tory leader, Benjamin Disraeli, warned against making "debt a national habit" which he pointed out "has made credit the ruling power."

The "ruling power" is now becoming a highly-organised international power, with a policy of progressive monopoly, leading to the World State. This power can

only be broken by communities ceasing to borrow necessary financial credit from the banking system; by challenging the policy which insists that in order to use their own real credit, which today is largely a common heritage, they must borrow financial credit, pay interest on it, and accept the conditions laid down by those controlling credit policy.

Consideration of a credit system which will provide a community with adequate financial credit without a progressive increase in debt, necessitates some understanding of the working of the present finance-economic system. An excellent summary was provided in a Vancouver Board of Trade Report issued in 1943.

“The system which has been evolved and which is in use at present is basically sound. In order to induce individuals to co-operate in the production of goods, money is created and issued to them as incomes for their services. The sum total of all money paid out in all stages of the production of an article constitutes its price. In this way units of money are related to goods and the other material wealth of a community. Thus the individual is provided with an inducement to join the co-operative effort of production.

As prices are created in the process of production, so an accurate record can be kept. The individual then has a claim to any of the available goods and services he may choose

From the foregoing, it will be plain that money should be issued as goods are produced, and it should be withdrawn as goods are consumed. “The efficacy and simplicity of such an arrangement would be valid provided that:

- (a) The amount of money issued to finance production was controlled to the extent to which the people wished to use their productive resources (their real credit) in supplying themselves with the goods and services they wanted;*
- (b) The total amount of money in the hands of the people at any time was sufficient to enable them to be able to buy all the available goods and services.”*

C.H. Douglas

The question of whether industry does automatically distribute, in any given period, sufficient purchasing power to meet the prices created over the same period, is a vital one which conservatives must face if they wish to make any constructive contribution to solving a basic problem. Many conservatives appear to assume that there is no problem of a deficiency of purchasing power, which leaves the Socialists with the initiative to exploit the problem to advance their strategy.

It is significant that from the beginning of the Socialist movement, there has never been any real criticism of monetary policy, only of producers of real wealth, “the exploiting capitalists.” The Socialists have feared any adjustments to financial policy which would enable the private ownership free enterprise system to work satisfactorily, depriving them of conditions to exploit for their revolutionary programme. It was for this reason that immediately the British engineer and costing

expert, Major C.H. Douglas, emerged at the end of the First World War with a detailed analysis of the defects of the credit system, and concrete scientific proposals for correcting these defects in order that steps could be taken towards “a society based on the unfettered freedom of the individual to co-operate in a state of affairs in which community of interest and individual interest are merely different aspects of the same thing,” (*Economic Democracy*), that the Fabian Socialists and Communists violently opposed the policy which came to be known as “Social Credit.”

American conservatives are certainly not encouraged to study the works of Douglas when the conservative group responsible for the widely-distributed and generally valuable publication “*Keynes at Harvard*,” can state (p. 67) that “Major Douglas was an old line socialist who developed the theory of social credit. This theory was adopted by the government of Alberta, Canada, and proved to be disastrous.” This type of false comment can only cast doubt on the integrity of those making it.

The following is one of the many penetrating, critical comments on Socialism made by Douglas:

“Socialism, or to give it it’s correct name, Monopoly, is not a production system, which is exactly what one would expect from it’s origins... It is a legalistic system based upon a power complex supported by a set of abstract slogans which it’s policies and results contradict, where they have any concrete meaning. The idea so skilfully inculcated that confiscation of property will assist in the distribution of wealth is, of course, completely without foundation. Socialism is a restriction system, as any examination of Socialist practice in the Trade Unions will confirm, and it has two well-defined fundamental principles - centralisation of power, both economic and political, and espionage”.

“That is to say, every advance towards Socialism is an advance toward the Police State.” - “The Big Idea.”

In a discussion with the famous Fabian Socialist, Sidney Webb, Douglas dealt with every objection raised concerning the practicability of his monetary proposals, only to be told in the finish that Webb did not like their PURPOSE. The proposals suggested by Douglas were not designed to produce a Utopia - a concept which Douglas specifically repudiated - but to place the individual in a position where in a voluntary association with his fellows, he could effectively control his own destiny and develop in freedom.

Social Credit is not a “theory” which “proved to be disastrous” in the Canadian Province of Alberta. The attempt to implement Social Credit financial policy in Alberta was defeated by the Federal Government having the proposals declared unconstitutional. So far from these proposals proving “disastrous,” they were never implemented. And the massive campaign of opposition in which once again there was a nexus between the Socialists and the International Financiers, demonstrated

that there was deep fear that if these or similar proposals were introduced, they would prove successful.

DOUGLAS' FINDINGS

Major C.H. Douglas was an eminent British engineer with a wide experience in implementing a number of big projects in various parts of the world. He was called in by the British Government during the First World War as a costing expert to solve problems in the aircraft industry. His approach was one of the true scientist, objectively examining, but without any pre-conceived political theories.

Having satisfied himself that modern industry was not distributing sufficient purchasing power over any given period, to meet total prices created over the same period, and that this deficiency - which must become progressively greater with every technological advance and the displacement of human labour in production - could only be masked under present financial rules by progressively expanding new credits for excessive capital work, export drives, and instalment buying.

Douglas placed his discoveries and suggestions before a number of prominent people. He was completely detached, his approach being that common sense men would be interested in being shown a major defect in the finance-economic system, in the same way that engineers are interested in learning about defects in machines so that they can be corrected. But he discovered that, in spite of the fact that his views were widely and intelligently discussed, with many prominent men endorsing them, it was clear that there was powerful opposition to any serious modification of financial policy.

The tragedy was that the British Conservatives, who were the logical party to take up the Douglas proposals, failed to do so.

The test of prophesy is accuracy. Douglas correctly predicted what would inevitably happen if financial policy were not modified. There would be ever-expanding debt, as an expanding volume of new credit came from the banking system as a debt to finance the programme necessary to prevent the economy from collapsing. Interest charges on the expanding debt would help to make increasing taxation at all levels necessary. Progressive inflation would be inevitable, and increasing economic amalgamations leading to the growth of international cartels. This in turn would lead to political centralisation with States and Provinces being dominated by Federal Governments, and National Governments being forced to amalgamate into regional groupings as a preliminary to the attempted creation of the World State.

All this and more has happened and still is happening. And in the process, there is growing friction and the undermining of the very foundations of Civilisation. Social stability has become increasingly more difficult.

MAN - HEIR & STEWARD

No reversal of current developments is possible without reversing and modifying the financial policies which have been such a powerful instrument in the hands of the power-lusters.

The true conservative knows how important is the past. As the young French-Canadian mystic, Simone Weil, so beautifully expressed it in “The Need For Roots”: “We possess no other living sap, than the treasures stored up from the past and digested, assimilated and created afresh by us.”

A genuinely conservative approach to life requires humility, to accept the fact that man is not self-sufficient. It is surprising how many conservatives will accept this truth concerning some subjects, but reject it in the field of economics. Far too many conservatives create the impression that their concept of “rugged individualism” is a type of free-for-all where the self-made man succeeds and the weak go to the wall. The truth is that no man is self-sufficient today in the field of economic endeavour. Even those pioneering on some of the world’s remaining frontiers are making use of machinery and technical assistance which comes from co-operative industrial societies, themselves the heirs to a thousand years of amassed industrial arts. The creative conservative of the Twentieth Century must take a new look at economics if he is to meet the Socialist challenge. Some proper humility is a pre-requisite.

The following are basic truths which must be accepted in evolving a policy which will enable the best of our civilisation to be preserved and developed along the lines of a genuinely conservative and co-operative society, one in which the creative initiative of every individual can find expression:

1. What might be described as man’s basic capital consists of vast natural resources, including the soil. Growth is impossible without sunshine, rain and fresh air. All this is a gift from God. It is not produced by man’s work. Labour does not produce all wealth as the Socialist and Communist claims.

2. The use of basic capital requires production capital. This has been developed at an ever-accelerating rate because each new generation is the heir to the accumulated knowledge of the past, which is part of man’s cultural heritage.

Without this knowledge, man would still be subsisting at a primitive level without even knowing about the wheel. It is more correct to describe man as a discoverer than an inventor. The truth concerning what is termed the “mechanical advantage” was DISCOVERED, not created, by the man who first used a lever to lift a much greater weight than he could with only his own muscular energy. This and other truths are also a gift from God. The Indians watched the flow of water over the Niagara Falls for centuries, without realising that here was an enormous source of power which could be harnessed to serve the individual. Present-day North Americans use this power, not because of greater physical ability than the Indians,

but because they are heirs to knowledge passed on to them by previous generations. Semi-automatic machinery driven by solar energy, computers, machines making machines, with human labour as such now a minor factor, are the results of the cultural heritage.

3. Both morally, and realistically, the individual is entitled to a share in the benefits possible because of the application of the cultural heritage to basic capital. But although the cultural heritage, like basic capital, must be regarded as a community heritage, in order that this heritage is preserved, extended and in the most competent and responsible manner on behalf of the individual, private ownership is essential. In a free-enterprise society, private owners should be a group of producing aristocrats, proud of their responsibilities and the opportunity to develop their various skills, serving a democracy of consumers.

4. As the “money vote” and price system is the most flexible mechanism through which the individual can exercise effective control over how his heritage is to be developed, it is the legitimate function of Government to ensure that the volume of community purchasing power AUTOMATICALLY reflects economic realities. The proper level of water in a cattle drinking trough is automatically adjusted by a ball-valve and the amount of water consumed by the cattle. The actual mechanics necessary to place individuals in control of their own credit, is one for appropriate experts to create. No change in the ownership or administration of the private banks is necessary.

C.H. Douglas predicted in 1924 that unless control of the community’s credit were decentralised into the hands of its individual members, and the economic system re-oriented away from the direction in which it was being forced by those monopolising the control of financial credit, that there would come a time “well within the lives of the present generation” when “the blind forces of destruction will appear to be in the ascendant...”

There is, at the moment, no party, group, or individual possessing at once the power, the knowledge, and the will, which would transmute the growing social unrest and resentment (now chiefly marshalled under the crudities of Socialism and Communism) into a constructive effort for the regeneration of Society we are merely witnesses to a succession of rear-guard actions on the part of the so-called conservative elements of Society, elements which themselves seem incapable or undesirous of genuine initiative; a process which can only result, like all rear-guard actions, in a successive, if not successful retreat on the part of the forces attacked. While this process is alone active, there seems to be no sound justification for optimism. “

Social Credit

A genuine counter-offensive by conservatives, demands a challenge to the policy of the credit monopoly. It was Abraham Lincoln who observed that “the power to

regulate the currency and credit of a nation” is “the Government’s greatest creative opportunity.” A resurgent conservatism might well take the Lincoln statement as it’s fighting motto.

CONSUMER CREDITS OR REVOLUTION?

An article published in “*THE NEW TIMES*,” Vol 4, No 6, June 1979
All industrialised countries are now moving at an accelerating rate on a revolutionary road. Over recent years all industrialised societies have been experiencing high levels of inflation, compared with what was once regarded as acceptable, and growing industrial conflict as Governments and their “experts” attempt to discourage wage-earners from seeking higher wages to offset a decrease in purchasing power. Every type of control has been attempted, but the over-all result has been a progressive worsening of the general situation.

After a period during which the inflation rate was reduced fractionally by restrictive policies which caused large numbers of business bankruptcies and contributed to creating high unemployment, now the inflation rate is rising again in Australia, New Zealand, Canada, the U.S.A. and the United Kingdom. The stage has been set, for a new wave of industrial unrest, with the Marxists in key sectors of highly centralised economies, able to paralyse communities to the point where members of those communities are practically defenceless.

As we predicted, changes in the politicians in Australia and New Zealand in 1975 would do nothing to change the course of events unless a financial policy of escalating debt and high taxation was altered. Unless the new Governments of the United Kingdom and Canada alter financial policy, they are going to preside over the same type of depressing disasters which have been experienced over the past four years in New Zealand and Australia. Britain’s first woman Prime Minister may be as determined as her supporters say she is, but unless she can take the necessary steps to reduce inflation by dealing with the basic cause of inflation, she is doomed to preside over even greater industrial unrest than that which undoubtedly played a part in the defeat of the Callaghan Labour Government.

Mrs Thatcher appears to have the same rigid orthodox approach to finance-economics as Prime Minister Fraser of Australia and Prime Minister Muldoon of New Zealand. Like Mr Fraser, Mr Muldoon has found that instead of reducing taxation he has to increase it. Displaying what can only be described as a type of invincible stupidity, in imposing recent savage taxation increases, which are inflating prices even further, Mr Muldoon argues that this will control inflation. It is difficult for people of common sense to understand that prices can be brought down by putting them up.

THE BASIC PHILISOPHICAL CLEAVAGE

The basic cause of the disintegration of what is left of civilisation, is philosophic. The first essential for regeneration is an acceptance of the truth that the economic

system exists to serve the individual; the true purpose of production is consumption; that the benefits of technology should be passed to the individual in the form of greater leisure time in which he can devote himself to self-development.

The policy of “full employment” is rooted in the **anti-Christian philosophy** that the individual exists to serve the economic system, and that any policy which enables the individual to obtain greater access to the abundance of the universe with less work as generally understood, should be rejected on the basis that “something for nothing” is bad for the individual. The philosophy underlying this viewpoint is that the individual cannot be trusted with freedom. The actual or potential abundance available for the individual is in fact “something for nothing.”

With the application of discovered truths to the abundance of the universe, the amount of human energy being applied to production, compared with other forms of energy, is but a decreasing fraction. The real credit of a society is its productive capacity. The major part of that real credit is “something for nothing”; it is a heritage which belongs by right to the individuals of society.

Financial credit, created by the banking system, must be seen either as a system to enable the individual to gain access to his heritage or as an instrument for controlling the individual by forcing him to operate the economic system in a manner which keeps him “fully employed”, even if he is employed on production which is exported - given - to the Communist dominated countries.

The financial credits so readily made available to finance production for the Communists could just as easily be made available to the individual so that he could obtain greater access to his own inheritance. Present policies make it inevitable that every improvement in technology in the non-Communist world requires greater exports in an attempt to control the individual.

INEVITABLE RESULTS OF PRESENT POLICIES

If present finance-economic policies are persisted with, it is mathematically certain that inflation and high taxation must continue. The drive towards still greater centralisation with the consequent social disintegration, must accelerate. Programmes for creating the World State via Common Markets and New International Economic Orders are the logical result of a philosophy which regards the individual as but raw material to be manipulated by power-mongers.

The labels on Governments will make no difference to realities. But the growing impetus towards centralising power must result in a further breakup of Civilisation under the impact of revolution. The situation is exactly as Douglas predicted when the founder of Social Credit started writing at the end of the First World War.

The essence of the rapidly-deepening crisis is that either the individual is permitted to gain access to his heritage, as a right, which means in practice the use of consumer credits distributed direct to the individual, or there will be revolution resulting from policies which insist that financial credits, created as a debt, are only made available for still more production.

Looked at realistically, inflation should be seen as a measure of the unnecessary production in which the individual is forced to participate in relationship to that production which serves the individual's genuine needs.

Although all governments pay lip service to the necessity of reducing deficit budgets, unless the new credits for these deficits are made available, the economies of the industrialised nations would suffer a major collapse. But as the new credits are written as a debt, and are used to finance still greater economic activity, they contribute towards sustaining high taxation and high inflation. They are like a drug.

A PROGRAMME FOR SURVIVAL

As the financial credit created for deficit budgets is written against a nation's real credit, its production capacity, and that real credit belongs to the individuals of that nation, then obviously the financial credit also belongs to these individuals. A start could be quickly made to reverse present revolutionary developments by writing present budget deficits as credits for the cost of administration only, and distributing those credits by financing the reduction of the present retiring age to, for a start, 55 years. Offered a secure income for the remainder of his life, few individuals would reject the offer to retire from the production system at 55. Instead of working to feed or industrialise the Communist nations, the individual might decide to make toys for his grandchildren, or help with community activities. He might take up painting, or just go fishing. But he would be enjoying what is his, and permitting younger people to enter the economic system, this sweeping away a number of growing social problems.

Part of the new credits could be used to lower prices of basic items in the economy with the use of a system of consumer discounts. A falling price level is a realistic reflection of the truth that the true cost of a unit of production is falling as a result of greater technology. A falling price level increases purchasing power, and makes inflation impossible. It also destroys all the basic causes of revolution. That is why Marxists are in the forefront of all opposition to the distribution of consumer credits. They understand that the distribution of financial credit direct to the individual spells the death-knell of their revolutionary hopes.

And their spiritual brothers, the international financiers, also understand that the use of consumer credits would end their grandiose dreams of New World Orders.

The future of Civilisation depends upon whether individuals can unite to wrest control of their own credit, real and financial, away from those at present claiming it as their own. The battle is between the individual and an unholy alliance of Marxists and Financiers.

CONSTRUCTIVE RECOMMENDATIONS OF A BRITISH CHAMBER OF COMMERCE

The 1933 Report of the Economic Crisis Committee of the Southampton Chamber of Commerce, England, one of the largest and oldest Chambers in the

world, made the following “constructive recommendations”:

- 1) Money supply should be governed by the real credit of a community as represented by its productive capacity. This appears to involve the abandonment of any arbitrary restriction on the quantity of money, and the limitation of internal money supply by such an instrument as the international gold standard.
- 2) In order to ensure that money performs its true function of operating as a means of exchange and distribution, it is desirable that it should cease to be traded as a commodity.
- 3) Money being merely a vehicle of credit of the community, and the power which the control of money carries with it being nothing less than the control of the entire economic life of the nation, it is desirable that the administration of financial policy should be vested in a national authority directly responsible to the Sovereign and his people.
- 4) As the existing mechanism for the distribution of incomes fails to provide the purchasing power necessary to distribute the products of industry or the money equivalent of imports, it is necessary that purchasing power and prices of available goods and services should be equated two alternatives are available:
 - (a) Either prices should be reduced to meet the purchasing power available without involving any loss to individuals, or
 - (b) Purchasing power must be increased to meet prices. Or both methods could be employed together.

NOTES ON THE AMERICAN REVOLUTION

How many students of history have heard that the real cause of the American Revolution could have been the bankers of London rather than the taxes on tea? The book “*Unrobing the Ghosts of Wall Street*,” claims that some few years before the Revolution, the colonies were happy and prosperous. Benjamin Franklin, who was later one of the framers of the Declaration of Independence and the Constitution explains it:

“Abundance reigned in the Colonies, and there was peace in all their borders. A more happy and prosperous population could not perhaps be found on the globe ... The people generally were highly moral and knowledge was extensively diffused.”

Franklin, during a visit to England, noted the poverty and want in rich Mother England. Asked to explain the prosperity in the Colonies, he is reported to have replied:

“It is because in the Colonies we issue our own money. And we issue enough to move all goods freely from the producers to the consumers; and as we create our own money, we control the purchasing power of money and have no interest to pay.”

The book claims that this situation was not acceptable to the international bankers, then operating out of England, and they caused a bill to be passed in the English Parliament, forbidding the Colonies to use their “scrip money” and compelling them to use gold and silver furnished to them by the ‘English’ bankers in a limited amount - and at high rates, no doubt. Thus, began the debt-money system in America.

Benjamin Franklin reportedly said that within a year after this action of the bankers, the streets of the Colonies were crowded with unemployed, and that it was the poverty resulting from this British financial interference in the Colonies’ economy, which provoked the Revolution. “This was the straw that broke the camel’s back,” he said. The colonies may have got England off their backs, but the international bankers were soon right back on. ***



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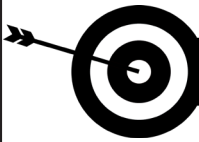
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What Does 145% Tariffs Really Mean?

***Unresolved problems of the Power Age* By William Waite**

In addition to the cartoon there were three bellicose articles about China in *The Australian* this morning (28.04.25).

Sorry, Ambassador Xiao Qian: Beijing is no defender of the free world, is a response to an article by Chinese Ambassador to Australia¹, Xiao Qian, condemning Trump's aggressive tariffs and warning countries that "China has firmly taken countermeasures to protect its legitimate rights and interests and will resolutely continue to do that." Uhlman's response in *The Australian*² is a sort of laundry list of Chinese violations. This is the tenor:

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In industries from technology to finance to green energy, China imposes licensing barriers, demands joint ventures and favours heavily subsidised national champions. Its longstanding strategy of forced technology transfer and industrial espionage, including cyber attacks by state-backed groups such as APT10 and Volt Typhoon, has targeted Western corporations, defence contractors and critical infrastructure. This isn't order, it's hybrid warfare.
and...

For decades the West placated China, believing integration would lead to liberalisation. We let it into the World Trade Organisation, offshored our factories and turned a blind eye to intellectual property theft and trade distortions. In return, China built a surveillance state, crushed Hong Kong, silenced dissent and prepared for war.

The second article was about Uyghur slaves making solar panels³ and the third about how Albanese is failing to learn the lessons of the Second World War, and is woefully unprepared for the looming one.⁴

Picture smooth for Headline: “Australia was ill-prepared for war in 1941. In 2025, we’re making the same grave mistake”

The pounding of the drums.

Watching events unfold one can’t help be reminded of Douglas’s warning: “Economic war has always, ultimately, resulted in military war and probably always will.” Are we about to see proof of this simple maxim?

Shambolic as the US tariff rollout has been in the end it will achieve its intended purpose — the *public* de-coupling of U.S. supply chains, especially the U.S. military-industrial complex, from China. Things will continue to go on in the background, as they did with the Soviets during the Cold War, but so far as the public is concerned America and China are not pals.

Having financed and built the industrial and military capabilities of the CCP, (offshoring) America and her allies will proceed to sharpen their sabre by ensuring that the materials required for prolonged conflict cannot be staunched by China. The tariffs, currently at 145%, is just the economic weapon for the job. Even if Trump were to back right away from his tariffs policy now the untangling of the two economies would continue.

The business community is already adapting. In 2024 net direct foreign investment into China went negative for the first time in a long time, and a Bain and Company survey found out of 166 China-based CEOs 69% were shifting operations elsewhere.⁵ This aligns with the overt push for American interests to secure vital raw materials outside China’s sphere of influence. The push to break free of Chinese supply can be seen in the sourcing of rare earth and high-tech industrial supplies from anywhere but China and her satellites. It has been suggested that Australia could play a part in supplying the U.S. with heavy rare earths vital to their defense and industrial base.⁶ In Ukraine Trump is trying to get the cost of Ukrainian “aid” paid in Ukrainian minerals.

China is responding to the tariff policies as you would expect. She has overnight lost her best customer and it remains to be seen how well the financial system can adapt to the challenge. China is looking to shore up regional trade relations, which is what Xi’s article is about, and boost consumption domestically. Heavy subsidies to Chinese producers should help with that.

The structure of China’s financial system is similar to our own. They have a ‘big four’ dominated commercial banking sector and a government regulated central bank with ‘autonomy’ on interest rates (a bit of doublethink required there as well as here). The government can get money when it wants and has borrowed heavily to fund urban and industrial development. In addition to the national debt the Chinese people hold significant private debt, around 200% of GDP. This comment from a

Carnegie Endowment article sums up China's dilemma pretty well:

Without a politically challenging transformation of the distribution of domestic income—away from local governments and businesses and towards the household sector—it is hard to see how Beijing can drive a higher consumption share of GDP without raising either household or government debt.⁷

I doubt the CCP are into “politically challenging transformations of the distribution of income” but it makes you wonder what he has in mind. Instead they'll be looking for reasons to boost deficit spending and a belligerent America will do nicely.

On the other side of the Pacific Western elites covet the opportunities of Chinese-style technocracy. I think Covid gave them a taste for it. They need a national security crisis in order to convince a jaded public to accept a surveillance regime that leaves Orwell's 1984 in the dust. We are edging towards it all the time. For instance, the NIH will compile a central database to support Kennedy's autism crusade. The data will come from public and commercial sources including data purchased by the U.S. government from companies who make smart watches and fitness trackers.⁸ These piecemeal forays toward the national security state are a precursor to total awareness; blanket surveillance and machine analysis of private and public life justified by a growing threat from the Chinese or broader BRICS+ sphere. There is no shortage of potential theatres.

Such a conflict would relieve economic headaches within America and China. Military activity, the production of war material and war itself, is eventually the only thing which can clear the product of the machine. Writes Munson, “Mechanised warfare presses terrifically against financial convention and may be said to strip the brakes of the financial machine...⁹” Not surprisingly we see the Trump/Hegseth Pentagon committed to spending a trillion dollars. Orwell's memorable axiom, “The purpose of modern warfare is to destroy the product of the machine without raising the standard of living” continues to hold.

The historical source of this pressure is described by Gorham Munson in his book *Aladdin's Lamp* (1945) and is fundamentally economic in nature.

It has to do with a little understood economic transition. Munson makes the case that the onset of the industrial revolution marked the beginning of the end of the age of ‘Real Scarcity’ and the dawn of ‘the Machine Age’ where increased production was more or less matched by increased wage earning. The end of the First World War marked the end of the Machine Age and the beginning of ‘the Power Age’ where production finally breaks away from any proportional relationship with human labour.

Compressed into an ideogram, the Machine Age is two rising curves, loosely clamped together, indicating respectively the growth of production and the numerical growth of industrial wage-earners. The ideogram of the Power Age would be two curves breaking away from the clamp, the curve of production

soaring, the curve of employment levelling off and descending... The picture that should spring to the mind's eye when visualizing the Power Age – visualize the conveyor belt, on the one hand, and a queue of jobless, on the other, and your impression of the Power Age will be photographically correct.¹⁰

Chat GPT had a go with the description.

Thus far every industrial economy has failed to adapt to the challenge of the Power Age. The consequence of this failure is an inevitable slide into military conflict to relieve internal financial pressures. It is the all-consuming crisis of war which pushes the peace time constraints of the financier into the background.

Writing at the end of World War 2 Munson lays out the financial arrangements which allowed for Hitler's military build-up.

Hitler's object was to clamp together somehow the production and the employment curves of the Third Reich. To this end he militarized the Reich's financial economics. He put finance on a war footing enforcing the orthodox principles by the revolvers of the Gestapo. German economy long before Munich became one of warfare, not of welfare. The army was built up, the country was rearmed, civilian production under the slogan of "Guns, Not Butter" was diverted to war production. Hitler was doing what nations had done in the First World War: running up the national debt and refusing to be deterred by the spectral thought of bankruptcy.¹¹

The means of 'clamping together the curves' was neatly summed up by Hitler's banker, Hjalmer Schacht, to Ambassador Dodd: "Money does not have to be gotten now, we only issue paper and keep it circulating rapidly, thereby maintaining people at work. That is all."¹²

There it is. What is Trump's best intention? Factory jobs for Americans. "Maintaining people at work". What do you think they will be making in those factories? Who will be consuming it? Or maybe "who will it consume?" is a better question.

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Easter Revelations

What's In Your Hot Cross Buns? By William Waite

By now some news about Kennedy's war on additives may have leaked through to you. Among other things he has managed to secure a phase-out of several dyes commonly found in processed foods.¹ A bit of Trump era propaganda to set us up.

This Easter my wife made the hot cross buns. They were very good, so you ask what's in them. The ingredients: flour, water, milk, fruit, sugar, an egg, butter, cinnamon, allspice, salt; mixed, proved, shaped and baked.

What, we wondered, was in the bought ones? The packet we had read:

Ingredients:

Fortified Wheat flour (Wheat, folic acid), Water, Dried Fruit 21%, Yeast, Sugar, Vegetable Oils, Emulsifiers (475, 471, 472e, 481, 322-soy), Gluten, Maize Starch, Stabiliser (415), Acidity Regulator (330, 263, 260), Spice Mix, Ascorbic Acid (300) Enzymes, Thiamine, Iodised Salt (anticaking agent (535)), Foaming Agent (570), Dextrin, Gelatine, Preservative (202), Humectant (1520).

I actually hesitated before throwing them to the chooks.

On the recommendation of a Year 6 student in my class I downloaded an app onto my phone called Yuka. With the scan of a product's barcode Yuka provides a fairly comprehensive breakdown of the nutritional properties of processed foods and cosmetics, rating them out of 100. Yarrow's Spiced Fruit Hot Cross Buns recieved a 21/100 "Bad". In addition to a rundown of the macro-nutritional quality of foods (protein, fats, sugars, fibre etc.) the app. also provides a list and description of product additives. Fifteen were found in our store bought buns.

Yuka ranks additives on a four point scale. Our buns had 8 “no-risk”, 2 “limited risk”, 3 “Moderate Risk” and 2 “High Risk” additives. The two high risk additives were Emulsifiers 475, Polyglycerol esters of fatty acids, and 471, Mono- and diglycerides of fatty acids. “Emulsifiers” describes a whole class of commonly used food additives in commercial baking, ice creams, confectionary, pasta, breads, seasonings, condiments, margarines and ready meals which are supposed to “improve” appearance, taste, texture and lengthen shelf life. No, they are not included for their nutritional benefits.

Narrowing our focus to Emulsifier 471, Yuka has the following concerns:

This additive could increase the risk of developing cancers and cardiovascular diseases. It is also suspected of disrupting gut flora, which could lead to an increased risk of autoimmune and allergic diseases, as well as inflammatory diseases.

With these claims Yuka provides a list of links to credible scientific papers and press releases supporting them. 471 is not a particularly special case. There are reasonable cases against the use of Emulsifier 475, 472e, 481 and the commonly used preservative 202 (potassium sorbate). We haven’t got passed my hot cross buns yet. In most cases not enough research has been done to determine the long-term safety of these additives. Furthermore, little to nothing is known about the interactions between the hundreds of approved chemical and synthetic additives commonly used in processed foods.

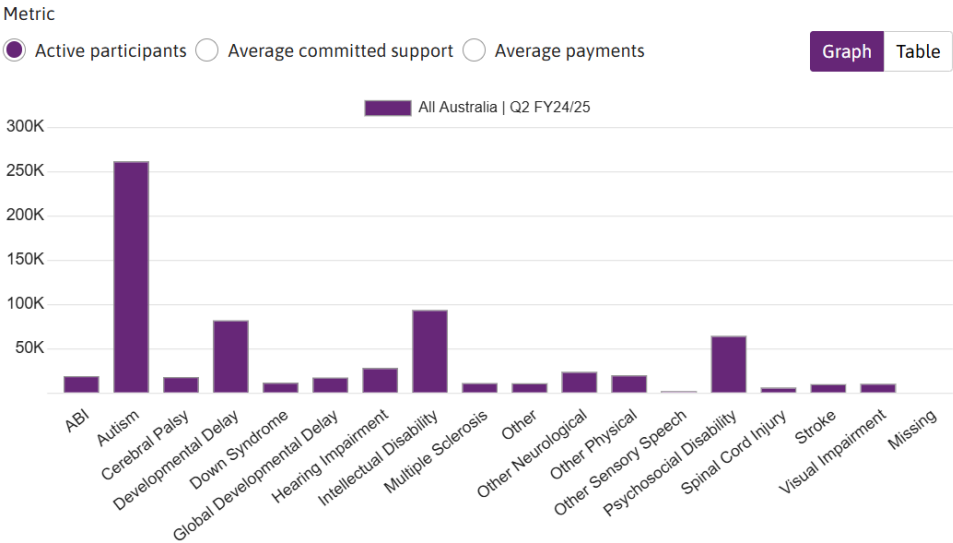
Another concern is that many people consume way too much of these number ingredients. Food additives have maximum permitted levels (MPLs) given in milligrams per kilo,² implying consumption should be limited. The high prevalence of some of them in commonly eaten foods, 471 for example, means that many people are consuming above what is “safe.” If you have some toast and cereal for breakfast, a sandwich for lunch, pasta for dinner with a bowl of icecream for desert, there is a good chance that you’ve had 5 doses of 471.

The general worry is that the human body is being made to metabolise substances which it has not encountered at any period in its long development. And there is not even a pretense of these additives improving the nutritional quality of the food. Instead these substances are added to the ingredients of processed foods for some commercial or superficial sales advantage. It is perfectly acceptable that something the scientific community suspects is poisonous be approved as a food additive if it draws out a product’s shelf life, improves its appearance or taste or allows the manufacturer to substitute a cheap ingredient for a more expensive one. What have we just heard this week from Robert Kennedy Jr. about the recently released CDC survey on rising autism in America? The take-aways are that autism is rising “relentlessly” the “epidemic is real” and, says Kennedy, “we know it’s environmental exposure. It has to be. Genes do not cause epidemics. It can provide a vulnerability. You need an environmental toxin.”

What are the numbers? RFK again:

The ASD (autism spectrum disorder) prevalence rate in eight year olds is now 1 in 31. Shocking. There is an extreme risk for boys. Overall the risk for boys for getting an autism diagnosis in this country is now 1 in 20. And as high in California, which has the best data collection so it probably also reflects the national trend, 1 in 12.5 boys. This is part of an unrelenting upward trend.³

In Australia mental disorders such as autism dwarf incidences of other disabilities. Roughly 5% of males 5-24 years old are diagnosed with the condition. The chart below shows NDIS participants by Primary Disability.⁴ The long bar is mostly kids.



I’ve had a lot to do with kids over the years and many suffer from serious behavioural and attention problems. It’s a complex problem but nobody who knows what these kids eat thinks it has nothing to do with the food.

The mental state of our children is just a facet of the health crisis yet no one says anything serious about the deluge of novel environmental exposures which we are exposed to. There is an element which does not want to talk about it. More money for Medicare is a focus of both parties as they campaign their way around the country but it’s all about bulk-billing. More ambulance-at-the-bottom-of-the-cliff health care.

I won’t subject you to more statistics. Consult your data of lived experience. The culture has a problem with its health and the obvious place to look is at the food.

We have accepted this meddling with our food for two main reasons: it’s convenient and cheap.

The lure of convenience is mostly to do with our lack to time. Food from scratch takes time. It takes time to develop the knowledge and skill, and ongoing time commitments to make it a routine part of feeding oneself and family. Time, for many

of us, is a limiting factor. But it needn't be.

The main reason for most people's time constraints has to do with an economic system which continues to insist that incomes be linked with paid employment. The maintenance of this doctrine is one of the cornerstones of conventional economic thought, "Besides the objectives of supplying goods, the productive system has the objective of providing employment. The productive system is the channel for distributing monetary claims on goods."⁵

Full employment, of course, has not been necessary for a long time yet the financial establishment clings to it like its life depends on it. Believe me. it does. The Reserve Bank continues to hold "Its duty is to contribute to the stability of the currency, full employment, and the economic prosperity and welfare of the Australian people."

With a redesign of the financial system that would allow the proper use of technology it would take a miniscule portion of current labour-hours to provide what we need. This is even truer if those freed from bullshit jobs were encouraged to take some degree of self-reliance seriously. It would do nothing for GDP or tax revenue, that's all to the good, but it would add greatly to the health and real wealth of the nation.

The other thing is price. It would take us too far out of the way to explain it again suffice to say if we really wanted people to eat well we could make it affordable. It is commonplace for someone to remark on the deterioration in the quality of food available in the price range of ordinary people. Good meat has attained the status of a luxury in many households. It is getting increasingly difficult and costly to eat well if you have to buy all your food. Farming practices which deplete soils and rely on chemical fertilisers and biocides achieve growth by the application of chemistry and the destruction of biological competition with the product. That is to say it grows our food by a process different from organic biological growth. Even the fresh stuff is questionable.

If we're going to turn this thing around we'll do it by an honest, open-minded review of the money system. Unfortunately I have noticed that such a suggestion is met with a silent, uncomprehending stare. Perhaps we get to greater realisations by doing properly the every day stuff. Having a good think about what we're eating, and feeding to our children, might be a good place to start. ***

¹ Ramaswamy, S. 22.04.25. Eight artificial dyes will be phased out of US food supply, Health Secretary RFK Jr. says. USA Today. Available from: <https://www.usatoday.com/story/news/politics/2025/04/22/rfk-jr-food-artificial-dye-food-supply/83211595007/#:~:text=The%20dyes%20that%20will%20be,2%2C%20according%20to%20the%20HHS.>

² Australian Government. Schedule 15: Substances that may be used as food additives. Available from: <https://www.legislation.gov.au/F2015L00439/latest/text>

³ HHS Sec. RFK Jr. announces findings of autism survey conducted by CDC: Available from:

⁴ NDIS Webpage. Current at 4.4.2025. Explore Date. Available from: <https://dataresearch.ndis.gov.au/explore-data>

⁵ Munson, G. 1945. Alladin's Lamp: The Wealth of the American People. Creative Age Press, New York.

A Wake-Up Call By Arnis Luks

My son recently informed me that as a result of the 'Welcome to Country' booing at the Victorian Anzac Dawn Service, some people took offence and responded by booing the marchers at some 10 o'clock services around Australia. Several aged marchers were also physically accosted to cap it off. While the media redirected attention away from the crowd who booed, by attributing the far-right as the source, truth be known the general public are heartily sick of the political humbug occurring. An entire nation goes to war to protect everyone's interests, yet when they return to their homeland they are subject to a form of second rate citizenship, but only for some of course. This is not the Australian way.

In order to understand cultural Marxism, you need to appreciate that the revolutionaries are at war with 'the people' of the host nation. Their objective is to fragment society so greatly as to bring about chaos and finally, violent revolution. It matters little whether it is Marxism or Fascism as they both pursue the same centralising power in the hands of the few, rather than decentralised and limited representative government.

The new Canadian government is Marxist and led by the former central banker PM Mark Carney, a nexus of both Capital and Labour repeated across many socialist nations. The former Canadian Conservative leader Pierre Marcel Poilievre; a career politician from 2004 to 2025, failed to even hold his seat while also losing an unlosable Federal election. Such is the influence of propaganda at election time coupled with exaggerated concern of the irrationality of US President Donald Trump and Canadian effects of the proposed tariffs. A political novice : Bruce Fanjoy, a liberal (which is a 'Marxist' in Canada-speak), continuously door knocked the electorate since 2023, wearing through two pairs of sneakers and a pair of boots in the process, to successfully oust the former Conservative leader Poilievre. This demonstrates that a determined and concerted campaign can secure differing results for your electorate. Be encouraged, even though the demonstration is performed by Marxists.

I noted the truth of common ideology has now surfaced with the Teals preferencing Greens in important electorates in Australia. Again, big money and Marxists aligned when the surface is scratched sufficiently.

The effectiveness of propaganda has been further enhanced by its expanded permeation into AI Artificial Intelligence. The young are not the only ones glued to their phone or computer screen, unawares that they are all being re-programmed to suit a political narrative. A secret brainwashing experiment was conducted by researchers from the University of Zurich using artificial intelligence (AI) to see if they could sway the opinions of regular audience on Reddit.

<https://www.reddit.com/>

<https://www.theepochtimes.com/epochtv/live-qa-05-01-at-1030am-et-unauthorized-ai-brainwashing-experiment-secretly-tested-on-reddit-live-with-josh-5850360>

Internet Search Engines, and other sources of archived information, have readily demonstrated that, like every other form of media-medium, they can be grossly unreliable and biased. In our home we deliberately avoid many forms of social media, and only perform a cursory survey of multiple news-sites from varying political perspectives and nations, rather than just the centralised, viewed, written and spoken word controlled by the MSM.

The propaganda coming from old history books still needs to be filtered, yes, but in comparison to today's variety of resources, the level of sophistication to brainwash is mild.

The important point about the mainstream media, are the levels of private, and now public, sponsorship. Since Covid, taxpayer subsidy to media, and also political parties I might add, has gone through the roof.

With today's Federal election, with both voting slips, I ensured the primary vote never went to a major, and with the Senate I voted below the line ensuring the preference flow was exhausted prior to going to any majors. I also used ink rather than the provided pencil to mark my ballot papers.

If there is a swindle going on after that, I hope the scrutineers kick up enough of a fuss to encourage the matter to go to the Court of Disputed Returns.

This doesn't mean I distrust the electoral process, but rather I wish to ensure legitimacy is given every opportunity. Having read Amy McGrath's '*Corrupt Elections: Ballot Rigging in Australia*', which was produced under the HS Chapman Society, I realised a long time ago that politics is a very dirty business offering huge opportunities for advantage. CH Douglas proposal of the 'responsible vote' is to combat irregularities and ensure the individual is responsible for their policy endorsements by the vote. An important subject of itself.

I tried to watch the election count 'live' last night, but failed to source a suitable platform. The ABC internet computer systems, my usual source with Anthony Green, were down for some unexplained reason. The landslide, and Dutton losing the seat of Dickson, Queensland, held by him for some 21 years appeared almost as a replay of Canada's result for the Opposition Leader. Extraordinary, almost unbelievable.

Over time, most, if not all of the 'truth' as to what has just occurred will surface.

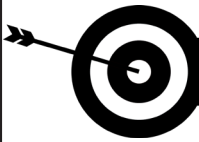
Did the Liberals really perform so poorly? Did the genuine Conservatives not even rate an electoral mention? Is this result as plausible as doddering Joe Biden making the US presidency? The people in Australia need to wake up to the fact their country is being taken away from under their very eyes.

I have managed to download for our online PDF Library, 2 articles from the desk of Amy McGrath - HS Chapman Society, that are worth a read in the wash-up of our federal election. I am not aware of the existence of a currently-functioning electoral-watchdog that HS Chapman Society has been in the past. Happy Reading.

Amy McGrath: https://alor.org/Library/PDF/Chapman_HS-Amy_McGrath.pdf

Making Voting Secret: https://alor.org/Library/PDF/Chapman_HS-Making_Voting_Secret.pdf

A WEEKLY COMMENTARY



ON TARGET

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The Price of Freedom is Eternal Vigilance

Vol. 61 No. 18

9th May 2025

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Just Sweat the Small Stuff! By Neville Archibald

Despite the bumper stickers of the 90s proclaiming, '*Don't Sweat the Small Stuff*', this is exactly what we are being asked to do. It was a comment originally alluding to the concept of prioritising what truly matters in life, and all the other things will fall into place. By paying attention to the true fundamentals of life (our direction) the minor disputes arising in our lives will resolve themselves.

To me it goes hand in hand with the concept of telling a lie and then having to go the route of endless ever changing lies to cover each one up. Don't tell one in the first place (or own up to your mistake) and you don't have to remember what it was you last said. Just keep telling the truth and you can't get caught out; not only that, but you don't get sidetracked on a path of endless confusion.

Now we have been through yet another election, where we were asked (more realistically told) to make our choice on the basis of the small stuff. What colour electricity we want, rather than do we want enough and will we own it ourselves.

Debates, supposedly about policy and direction, were on the size of the cuts or promises, or the speed of change. The direction each of these choices take us in is no different. The question, to use a nautical term, was did we want to tack Eastward or Westward on our journey South? Of course we must tack to catch the wind at the angle which propels us forward (backward in this case) labor the port tack (left) and liberal the supposed starboard tack (in my opinion the slightly less left, rather than the right). But we stay on a general course towards totalitarianism. One lot calls for Rule by government alone, and the other by big industry supposedly. Considering the shape of things in the real world, I see very little difference between the two, especially when you begin to see who controls government. The revolving door of Parliament sees many politicians walking

into jobs, cushy jobs, with the big industrial power houses of the elite controlled businesses, those that are effectively now running much of the world. Both purported sides are guilty of this.

The big stuff which should be of concern, the direction our rulers are taking us, is left behind in the endless, pointless, discussion on who gets to net zero first and by what means. Both end up putting energy control into the same private hands, and not, I might add, Australian hands. The once 'essential service', crucial for maintaining a strong, independent nation - free from the dangers of foreign control, has given way to prostitution to the highest bidder. Sometimes those very companies whose ethics or political freedoms are questionable at best. Whose host countries benefit, but their political actions are the opposite of our Australian quest. (see the CCP ownership of Australian wind farms)

The political debates over who will inflict the least pain on the average Australian, showed little difference in many cases, as an initial figure spouted by each, ends up reverting to a similar figure and costing, by the end of the term in office. Leaving us to make the same decision again in three years. Knowing instinctively that it really makes little to no difference in the long run.

Housing will still be a problem, immigration will still be in dispute - but growing. A voice (designed to divide us into two nations) defeated overwhelmingly in a referendum, will still be trickling down into our lives, dividing us more and more as the policies behind the push are still being pursued.

'But these things aren't really the small stuff, they are huge!', you say.

I agree, they are huge problems, but they are the small decisions when compared to making your choice between electing the two major parties heading in this direction, or in electing a few independents or minors who truly put Australians, united, first. I am not picking anybody in particular to replace the duopoly of ineffective choice we are constantly given: promoted by the two party preferred bullshit reporting we get shoved down our throats. A technique designed to specifically push only two versions of that same direction I first commented on. I am asking that this direction be recognised as the wrong direction for this country, and hoping that instead of picking the worst of the two, we might consider anything other than them. Even an untrained monkey who randomly chooses something, has a 50% chance of making a right decision on balance. We couldn't get any worse! But choosing the trained ones each time, as we do, we find ourselves faced with the realisation that the bias they are trained for, only ends up in the worst outcome for us.

There are other 'Small Stuff' problems we face in this world that we are constantly being defused by. Instead of rising anger at lack of justice for the ever increasing corruptions we see, we are given other stories to take the edge off, to decrease the rising indignation we feel. The Epstein story, with accusations of paedophilia, sex trade and blackmail, involving some of the highest people in office around the world,

gets left behind to fade, while other pictures are painted over this whitewash. The death of an early whistle-blower, is ruled suicide, gets but a small space with little questioning being brought to bear by reporters. The very reporters who should be taking advantage of this new prompt to further push for justice. No, they remark on it and leave it be, unwilling to rake the coals and use this new wood to fire up the flames of true justice and accountability.

Other things like the falling birth rates in the developed countries, which should be of utmost concern, becomes a discussion on the lifestyle factor. The problems of rising infertility and of still births and miscarriages are not even mentioned in passing; but, the talking heads who bring this conversation up, have a thinly disguised conversation of baby birth trends and social changes of recent times. They smile and grin idiotically, it seems to me, as they explain it away as easy as the push for supplements and fitness, as a cost of living or a social decision. Never once contemplating what many, in maternal circles, are now actually seeing. That these, once concerning, medical problems are not to be mentioned. It is entirely our decisions they wish to examine, not the implications raised by these concerning figures, which tell another story entirely. Those who do bring it up are accused of false or misleading data, and like those who questioned the wisdom of a nationwide roll-out of an entirely new and experimental inject-able therapy, they are demonised for their wish to further examine what they have legitimately noticed. If there is truly nothing to see, why is it a forbidden discussion?. To me, the big question, the serious question, is regarding any connection it might have to, 'this new wonderful safe and effective medical treatment' as they say. Then of course the myriad other health related issues that are skyrocketing and have similar questions pending.

Do we need to wonder why we haven't been allowed full access to the experimental data from this unprecedented roll-out. The data they made this decision for us on, or why no control group, in the true sense of scientific experimental procedure, has been followed up. This part certainly doesn't seem small; but, the biggest part of this story is yet to come, we have not had anything like an acceptable discussion around it's safety, yet we are preparing to roll out this technology for everyday use! The use of mRNA for everything! Is this not concerning to us?

More small stuff to debate is the reality of climate change, CO2 and 'warming'. Chicken Little is still running around squawking that the sky is falling, panicking many into making choices they are not keen on, but will for the sake of caution. There are many more who are beginning to ask the pertinent questions that should have been asked in the first place: why all previous predictions keep getting revised as they fail to meet their catastrophic conclusions on time? Why, if CO2 is so bad, was the level so high during the time when the so called fossil fuel loads were grown? Why do we supplement the atmosphere in green houses with CO2 to enhance growth? What about the earths actual health in times past, when CO2 was three times higher than it is now? it didn't end then, it flourished. Are we so naive

to believe we know it all and cannot question these dire predictions without being slandered as Nut-jobs?

To top it all off, governments are now giving the green light to the release of 'cloud brightening' aerosols to be trialled in the upper atmosphere. To block the sun's rays and reduce the planet's temperature. It is being done, it has been done, and looks to be done even more into the future. Like gods playing at being Gods, these people care not one whit, for what the actual earth's population might want, they alone are in control, they can not be wrong!

The Climate debate is the small stuff, the actual megalomaniacs playing god over the planet, is the big stuff we should be focused on. What right do they have to subject us all to their guessing game, their gamble, that will not be at their expense? They could hole up and live through it with the wealth they have accumulated, or so I believe they think. We cannot. They don't stop there either, many of them are pushing hard to control how we are to live, what we are to eat and how far we can travel. They are happy playing god over us all, yet we do nothing, not even question our leaders about what path they see us taking?

The world spins on its axis and the likes of Krakatoa explode, causing an ash cloud that circles the earth and cools the planet for the next few years. This cycle has happened time and again over history and the earth rights itself to continue on, sometimes after triggering an ice age or interglacial cool period, where things die off. The sun shines on, solar flares and activity on it's surface change it's output, enough to alter our climate even, but the models rarely take these variations into account. To believe we can manipulate with any certainty the weather cycles planet-wide, is insane. Imagine another volcanic eruption, far bigger than Krakatoa, the one they also keep promising is just around the corner in geological times. They've already dimmed the sun to save us all, hallelujah! Now how do they wash it out after an ash cloud threatens to add to it and send us into a rapid-decent ice age? do they play with making volcanoes erupt or not too? Do they throw more chemicals into the air to stop that! We breathe the air, we use it to grow things, it provides us with rain to water our crops. In the 80s the acid rain from sulphur compounds in the air was of extreme concern to these very people, now it is okay to use these same compounds freely! What changed? The colour of the money? Or have the gods of control just got bigger weapons to use against us now, and are no longer afraid to do so?

It is the big stuff they are clobbering us with, that we should be concerned about. The little stuff that just gets us arguing over what size hammer they use is pointless, I, for one, am sick of being hit. When does it stop.

To my mind it shouldn't even start! ***

God is a trinity, a relational structure. Every work of the devil is to divide us into warring camps - Trump vs Harris, Ukraine vs Russia, Israel vs Palestine, Sport team A vs Sport team B, Liberal vs Labor, Democrat vs Republican, Husband vs Wife, Young vs Old. Resolution is to be found in upholding this relational structure, of community, of discussion, love if you like.

The Problem of Dried Bread! By Neville Archibald

I want toast, crunchy and hot on the outside, soft and still bread-like inside. When I spread the butter on, it should melt and soak in, so I still get the crunch but also get a warm squishy centre.

My problem is the toasters. I have had toasters over the years, with all sorts of fancy knobs or dials, but all have been the same: in the end they just make dried bread. Insufficiently burnt on the outside but dried out all through. The butter soaks in, but the bread cracks and falls in two, or the crunch is akin to eating wet, powdered, crumbs. Bits fall off as you eat it and land butter side down on the table or floor, not to mention the jam you might try to spread, if the dried bread hasn't broken from the buttering, the jam will definitely do it.

Try as I might I cannot find a mass produced toaster to recreate the sensation of real toast, fire burnt toast. The hot coals glowing so hard they make a golden brown outside rapidly and the centre remains as it should, not to mention that hint of smokiness. Each new machine no longer glows bright inside, instead, a poor feeble gleam, that doesn't seem to be able to get up the courage to radiate the same confidence of the fire that created the perfect coals. Today's machines, make yester-years primitive apparatus seem old fashioned. The first toaster I used needed careful watching and correct timing. It needed me to make the crucial decisions. Now you no longer need to preheat the element, place the virgin bread over it and turn it carefully before it burns too much, watching it all the while to ensure you get that perfect combination! The ultimate toasted goodness! It is all done for you, you place it in, set a dial and push the button. You go about your other breakfast preparations until the dried bread pops out the top, announcing it is done by the action itself, sometimes with a noise that sates your anticipation.

Now this you say, is a perfect example of a 'first world problem'. Who cares really, what you eat in the morning. Often you are so busy, you wander around doing other things while cramming it in, or it sits on a plate in the car beside you, having a bite taken out at every traffic light. You curse the crumbs, or the dripping jam. You no longer load it up, you eat it drier and with less toppings. It suits your busy life and your spotless clothes. Eventually, you may even give this ritual up and just go for the quick fix of caffeine to go. The unsatisfactory remnant of that fire cooked toast now so far removed from your daily round of life that you no longer remember what it was like. No longer strive for the perfection and enjoyment that was the very beginning, the setting up of a perfect morning.

That long forgotten dream is now a wishful, but dim memory of what could be, a lot like the new toaster that promises so much yet never delivers. No matter what settings you adjust, the end result is unsatisfactory and unfulfilling, no matter how much jam or honey is applied it still crumbles and despoils the potential of a beautiful breakfast routine.

We have just had another such routine start in our lives. We placed our offerings in the machine, the glorious machine that makes weeks of promises, of sweetness to come our way. What did we get?

We got what we should, what we deserve, actually. The machine now runs itself, without our input, and we will get what IT decides. We no longer desire cooked perfection enough to take the preparation seriously, we no longer take the time to build the fire or fan the coals, we certainly don't select the wood!. All the preparation that is needed to make that perfect slice of toast (vote), is given over to the company who makes the toaster (the uni-party). They decide how we are to eat it. They give us fancy knobs to twiddle, but the wiring inside still delivers the same thing, dried bread!

The sad part about this parable is that it is true of many things. Our desire for perfection in so many areas has dried up. We are, or seem to be, content in making lacklustre decisions throughout life. Our passion for beauty and form in building, our yearning for the creation of a better world for our children, our very quest to advance in every area of our lives has been taken over by expedience and profit, rather than the pursuit of individual excellence. We are enamoured by the visions, the props we gander at on the mini screens of unreality before us, ubiquitous everywhere!

It is a self feeding problem and the more we neglect it, the more the poor imitation of life becomes normalised. The very things we should be striving for are erased from our memories, becoming only something to marvel over and view as past and glorious histories. Something to pay tourist money to see, but never to rebuild or emulate. The truth, the spark, that sets us aside from mere animals, is slowly going out. Our dimming desire for perfection is turning us from toast, to dried bread! ***



The "Maladjustment" By William Waite

In search of inspiration I was flicking through Carol Quigley's *Tragedy and Hope*.¹ He begins his section on 'Changing Economic Patterns' with the following:

An economic system does not have to be expansive - that is, constantly increasing its production of wealth - and it might well be possible for people to be completely happy in a nonexpansive economic system if they were accustomed to it. In the twentieth century, however, the people of our culture have been living under expansive conditions for generations. Their minds are psychologically adjusted to expansion, and they feel deeply frustrated unless they are better off each year than they were the preceeding year. The economic system has become organized for expansion and if it does not expand it tends to collapse.

For those of you who have had a go at writing about the gap you will appreciate his next sentence. Even Quigley battles:

The basic reason for this maladjustment is that investment has become an essential part of the system, and if investment falls off, consumers have insufficient incomes to buy the consumers' goods which are being produced in another part of the system because part of the flow of purchasing power being created by the production of goods was diverted from purchasing the goods it had produced into savings, and all the goods produced could not be sold until those savings came back into the market by being invested.

What he's saying is that a disruption in the flow of consumer purchasing power due to reduced investment causes a backlog of prices which, if not cleared, leads to collapse. He thinks the disruption is due only to an excess of savings over investment. As it happens this is just one of several reasons for the shortage of consumer buying power identified by Douglas.

How essential investment is to our business system is not well understood. The money supply itself comes into existence in the form of investment. This is obvious by a closer than usual examination of what banks do. Banks don't lend money. They actually buy securities. When you 'borrow' money from a bank what you are actually doing is selling a security in the form of a promise to repay at interest. That promise to repay, or promissory note, is seen as a security purchased by the bank. The money you get comes in the form of a bank deposit which can then be used to buy goods and services in the economy. Because the money supply has to be routed through banks who operate in this way there is no viable option for just funding consumption directly. Avoiding these simple facts is key to a long and prosperous career in economics.

While employment is the conduit for incomes, if new factories and capital works (investment) are not constantly being developed we are unable to pay for the products of factories and capital works already in existence. The problem

compounds. Once the new facilities come online the amount of unsaleable goods is larger again, necessitating the building of even more factories and so on. This is why Douglas objected that “under the present monetary system, in order to have sufficient purchasing power to distribute goods for consumption, it is necessary to make a disproportionate amount of capital goods and goods for export.”²

The functioning of the economy is dependent on sufficient ‘investment’ (read debt-money) but building factories etc. is not the only way of increasing credit in cycle. Government spending (education, healthcare, defense, infrastructure, etc) and consumer debt, especially mortgages, make important contributions as well. Servicing these debts, however, inflates prices, increases the financial exposure of the community to banks and, as the liabilities pile up, drags on consumer spending.

There are a litany of negative consequences that flow from this ‘maladjustment’. The business community, forced to compete in a consumer economy short of money, has been allowed open slather on the minds and bodies of the public. The strategy of those who survive is to destroy competition, minimise costs and inflate prices by advertising. The result is an economy spiralling into monopoly, low quality products and deeply anxious people. The turnover machine relies on personal insecurity to dissolve sales resistance.

One of the more peculiar outgrowths of this nexus which needs special mention is the mass surveillance system that has been built up on the right of the advertising industry to have nearly unrestricted access to our data. This influence is now shaping the ‘realities’ of billions of people directly with little understanding on the part of those being worked on. The existence of this ‘control grid’ combined with the anxious, atomised subject presents an irresistible opportunity for totalitarian ambitions.

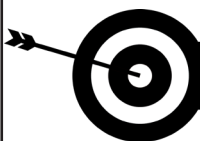
There is an alternative. Where there is a shortfall of consumer purchasing power it could be made up with steady and measured credit injections directly to the public. This would render the old system obsolete. No longer would new investment be required solely to distribute money for consumption. There would also be a reduction in the need for consumer and government debt. The monopoly of credit would be broken, its power distributed and decentralised.

Easy fix. That doesn’t mean we’re going to even talk about it. The monopoly of credit is nothing if not tenacious and people remain mostly blind to the irrationalities of debt-economics and full employment. Politics is reluctant to lead where the public is unprepared to follow.

Even still I remain optimistic. My advice in the meantime would be to invest in your own self-reliance. We can all go out and, as Douglas told it “construct a utopia of our own.”

¹ Quigley, C. 1966. *Tragedy and Hope: A History of the World in our Time*. The Macmillan Company, New York.

² Douglas, C. H. 1936. *The Approach to Reality*. Available from: <https://thepeoplescredit.com.au/wp-content/uploads/pc-pdf/shortform/Approach-To-Reality.pdf>



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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!

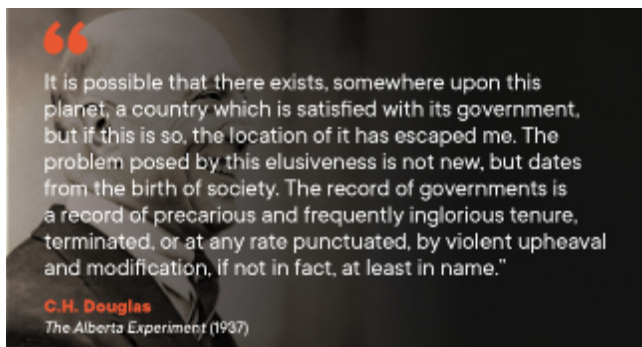
Until we can see through, what I call, their cover stories. We will continue to be choosing to pick from only two teams, each with the same global agenda, rather than looking after the family business, that of OUR country.

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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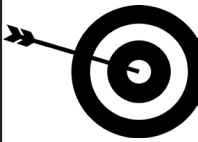
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The Price of Freedom is Eternal Vigilance

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What's Going On In Victoria? By William Waite

Protests against the Victorian Government's doubling of the fire services levy rate continued yesterday in Melbourne. ¹ The increased tax tied to land values is ostensibly to help fund the state's emergency services. Evidently, amidst one of the most gruelling tax regimes in the world, many Victorians see the increase as just another government money grab to, as one Victorian said to me, "pay for their *&^% ups."

To find the root of the trouble let's have a look at the state of Victoria's finances.

Until the financially engineered collapse known as the GFC Victorian state debt per person rounded to nothing. The GFC apparently started an inexorable rise until the deadly combination of the Andrews government and the engineered public health emergency commonly referred to as 'the pandemic' sent it skyward. State debt currently sits around \$19,000 per Victorian and is expected to go to \$25,000 within a couple of years.

At 262 days Melbourne had the longest and hardest (stay-at-home orders, business closures, curfews, 5 km travel limits, exercise restrictions, rubber bullets) lockdowns of any city in the world. This literal imprisonment of its population cost a lot of Victorian government debt. More than any other state. The financial hangover from covid is \$31.5 billion dollars of red columns.

After doing the "good debt, bad debt" talk the government describes covid debt:

On the other hand, our COVID debt relates to one-off investments designed to protect Victorians and Victorian businesses throughout the pandemic, and set the state up for recovery on the other side. (...)

As the state's economic position is now sound, now is the time to pay off the debt and the accumulating interest incurred as a direct result of the pandemic. ²

This is how they're paying it. Chawasta M. Available from: <https://www.abc.net.au/news/2024-05-08/victorian-state-budget-in-seven-charts/103814958>

What's it look like on the ground?

This week *The Australian* ran a story about a sandblasting business in Dandenong which has seen a 2300% land tax increase in a decade. The bill has increased from \$8300 to over \$200k. This company has operated at the same site since 1973 and has worked on some of the biggest projects in Melbourne including the MCG, Docklands Stadium, train stations and bridges. Due to the cost increases they're looking at taking on smaller premises where they may not be able to handle the largest steel sections.³

In addition to the aforementioned taxes and fire levy the government has legislated a public health levy and, my favourite, a covid debt levy.

The "one-off investments" to fund the covid response were a disaster for the economy and the people of Victoria whichever way you look at it. Now the banks and institutional investors who knowingly financed the scandal are going to be made whole at the expense of people like our Dandenong sandblasters. Notice how the banks and the government function in unison.

On what planet can the Victorian government's covid response be considered a success such that it should pay interest on the dollar to Blackrock and the Central Bank? It seems to me the final condemnation of an illegitimate financial system.

Ask yourself, in what sense are we moving toward a more prosperous and secure economic future? Cost-of-living is in permacrisis, house prices are so insane that a large percentage of our kids will never own property, tax is off the charts, small and medium enterprises are going to the wall in record numbers. Debt is spiralling at every level, we make nothing here, growth is immigrant driven and the native-born birthrate is below replacement. It's a pattern of decline observable across the Western world and sitting at the center of it all is this lousy debt-based financial system.

We need to overcome our moral confusion about debt. To think through this you could do worse than begin with Douglas' straight forward observation that "Ethically, there is every difference between money created at the stroke of a pen and money acquired as the result of years of effort."

Honestly people how long are we going to take the conventional line on banking before we start to ask what this "fountain pen money" is costing us? Will we just let them manage the dismantling of Western economic life until we have nothing?

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Arthur Chresby's 'How To Get What You Want' – An Analysis By Neville Archibald

Back in 1990, A. J. Symonds, wrote a booklet based on an Arthur Chresby's speech from 1976.

https://alor.org/Storage/Library/PDF/Chresby_A-How_To_Get_What_You_Want.pdf

Chresby was a former Federal MHR who was also a research analyst in Constitutional law. A proud Australian, he was committed to ... *“informing Australians of their electoral rights and obligations in an attempt to maintain the rights of everyday Australians. He maintained that the government and public representatives had as their sole purpose and duty is only to act upon the will of the Australian people, not political factions.”* Wikipedia.

In this booklet, Mr Symonds summarises and transposes the spoken word, into a written form which is easily read and studied. It reveals to us the thinking of a man who was knowledgeable in the ways of power and essentially the “warfare” of government control.

We have been talking about the results of the election and it's aftermath, and the role of independents to reduce the power of the party machine. Prior to this I have concentrated mainly on alternatives to the party rule. Ways of reducing the influence of that system on our representatives, or on removing it altogether. Even I can lose sight of the true objective when trying to find a better way. As a tactician, Chresby was not as concerned about party influence as I have worked myself up to be. We do indeed, sometimes, lose sight of what we want when we are striving to make a change for the better. Here I should quote from this booklet,

“Party politicians, and I underline and emphasise Party, always yield to pressure. Make no mistake about this, or kid yourself otherwise. But at the moment, the major pressure is from above, from the Parties. It is just in misunderstanding this word, pressure, or as Douglas once referred to it as moral suasion, the correct application of moral pressure or moral suasion, is where we are weakest, and where, to that extent, the enemy is the strongest.”

Indeed, the application of pressure from the electorate once every three years, is truly a sad indictment of our concern. Many of us allow the three years to go by before we even comment again. We might say something to others, but even if we meet our representative in the street or at a function, few ever go so far as to inform them of their desires or even hold them to account for their voting patterns. I would suggest that the number of people that knew what was voted on, was as great as the number who knew how they voted: a very small percentage indeed! Those taking the time out to visit their members office, or to go to a function where the Member will be, would also be a minimal number. The movers and shakers of our communities, often the very people we don't trust, are often those who take time to ensure they are heard. We, the meek, by our very inaction, again end up with what we deserve due to lack of effort.

In speaking of pressure brought to bear on our politicians, Chresby points out that the machinery of the party is centralised and ruled from the top down; the most desirous of power finding themselves in a battle to get to the top. Making powerful and often corrupting friends on that journey, ending up either beholden to, or sharing, a lust for that ultimate power over others. The global influences have us beaten in this regard, with wealth and time at their disposal. It is here we often think we are at a loss, but we have a greater power, we are always present at the base of their power, that of denying their re-election. Without our vote, they lose.

We have seen a liberal party, primed for change after their defeat. They are positioning themselves where they believe will get them the most votes; their weakness is in the direction they want to obtain these votes from. They see the labor party as the one to steal votes from; so that they end up with those swinging voters instead. To me that is a very limited view.

In looking at the results of the election on a first preference basis, we see that both major parties are losing ground to a mish-mash of minor parties and independents. What good is stealing from a dwindling number of votes, when the trend appears to be a rejection of the direction both majors are headed for.

The very power brokers at the top that Chresby next mentions (those who influence party direction) are already well aware of the direction they want Australia to head in, and to cede that direction, is the last thing they wish to do. This is why we see the “new” liberal leadership, still pushing the global agenda route, the one that runs parallel to labor’s route. The public is not wanting this; but, the power brokers do, so they create diversions to “win” people over by minor cosmetic change, rather than actual effective policy change. Those that this does not sit well with, will protest, even to the point of leaving the party: see the Nationals split. The powerful heads of the parties do not want the direction to change, they wish to remain in control, they are willing to give up many things, but not that. So Chresby talks of this control by others (the power brokers) and how it is done. How the powerful ensure that they keep control.

“We know that this is done through the machinery or mechanism of Parliament. How does he control the Parliament? Through the machinery and mechanism of what is called the political Party system. He would indeed have the greatest difficulty in the world in trying to persuade over two hundred Senators and Members of the House of Representatives, if they were pure Independents, and not under the duress of dictation of a Party.”

It is here we see the nature of our possibility, that we are greater in number and can cover each and every member in their own electorates if enough pressure is brought to bear by enough people. The original and most important part of keeping them in power, is our vote.

“He would have the greatest difficulty in controlling and persuading such a

conglomerate of different types and mentalities of which our Parliament exists. And so, there can be no argument that the basis of his control, the basis of the implementation of his financial policy and efforts to centralise all power, and destroy the people's control over their member, is through the Party system."

"As a consequence then, we must look at this Party system and its structure and how it works. Now in expressing my opinion on the question of the Party system, I do so, not from the reading of others, but from practical experience. I deliberately went into the Party system, worked my way into the position of a member of State executive, and deliberately worked myself into the position of getting a seat in Parliament. So I was able to see from the inside precisely what happens and how it works."

Party Politicians Always Yield To Pressure

"We have to drive a wedge between the Party and the Member. Now this on the surface, and on broad past experience, seems to be a practically impossible task. This is the thing that is worrying so many of our very good people who have worked so hard over all these years. What then is the answer, and how do we go about it? I said that Party politicians yield to pressure. Therefore, the pressure that we bring to bear has to be greater than the pressure brought to bear by the Party."

"The central core of Douglas' presentation in this particular context, was summed up by him in his Buxton speech in these words: That a Member of Parliament is concerned with two things, and two things only. The first is in holding his seat. The second is how much voting pressure is behind any demands made upon him. And from my own experience, I can verify that to be correct."

The C.H.Douglas speech at Buxton can be found here:

<https://alor.org/Storage/Library/PDF/Douglas%20CH%20-%20The%20Nature%20of%20Democracy.pdf>

Again he also mentions **voting pressure**. A selective campaign, focused on each major issue as it arises must be of greater influence on the member than that of his party. We have seen parties dis-endorse or sideline their own members for failing to toe the line. Have we made capital use of this? Have we congratulated those who stand up for principles or perceived electorate desires? Did we get behind their future campaigns and encourage them to rethink their allegiance, change it to the people first, before the party?

I am reminded of the plight of poor Dan Andrews here, he cannot find a Victorian golf club to accept him as a member. If this method of congratulation applied to every political member, and reflected their observed input while in power, we may well see a more cautious approach to the wielding of that power.

If the fruits of their labours was reciprocated in this fashion, then only a sociopath would be unaffected. Are they not always saying that the pay should be on par with the work done?

We have scattered members of various parties who may well be good candidates to consider, when deciding who to support. There may be “pretend” independents among them, but equally there may be useful known entities that can be worked with. It all depends on the amount of influence that an electorate can wield. It is in this way that very wedge can be driven. Each time a Party stumbles in this way, we must be ready. If they can get what Chresby called, ‘**voting pressure**’ behind them, they will be less likely to swayed by their party, more likely to see how they are being used : something no one appreciates.

In the current liberal party, during it’s reconstruction, we need to focus our attention on the disaffected among them, the reasons for that internal conflict they have. I think there are some who could be persuaded to defect from the party line with enough outside support. Maybe even the labor party has those too. Any reduction in party support from their own members, those that remember a different original idealism, is a beneficial one; one that will tap that wedge in further. Each candidate must be considered on an individual basis, and only by knowing them can this be an effective tool. As with all battles, there are good and bad methods of achieving goals, Chresby speaks of these below:

Five Fundamental Principles of Strategy and Tactics

“I want now to reiterate the five fundamental principles of strategy and tactics.

Action, for without action no decision can be arrived at.

Application of forces superior at time and place of impact.

Economy of effort. You don't use more energy than is essential to achieve the task.

You don't use a nuclear device where the use of a slingshot will do the same job.

Retention of initiative. Never engage in any action whatever which you yourself cannot break off anytime you want to, and come back again. Never allow your efforts to be so extended that you have exhausted everything in your means, that you are depleted in physical and mental energy, that you are not able to carry on, because then the enemy has defeated you.

Application to yourself of intelligent obedience or functional discipline. I have often illustrated this by the use of General Wolff's famous words to his troops before the taking of Quebec, “Hold your fire until you see the whites of your enemies' eyes.”

Now I have cut and pasted much from Mr Symonds booklet, and to be fair, the booklet needs to be read in it’s entirety. It is only 28 pages long and contains a lot of thoughtful material. Material that can be put into practice by anyone willing to stand up and push for reform.

Arthur Chresby was a man of insight, whose experience and writing have much to offer us. Like all good tacticians, we need to plan going forward to best achieve the end result we want to see. We can use the very nature of the party system against itself. Very few offer themselves up to blind obedience when there is a better alternative on offer. It is up to us to make that alternative a more attractive one.

HOW TO GET WHAT YOU WANT - Elements of Organisation, Strategy and Tactics.
The transcription of a tape recording made in January, 1976 by ARTHUR A. CHRESBY
https://alor.org/Storage/Library/PDF/Chresby_A-How_To_Get_What_You_Want.pdf

https://alor.org/Storage/Library/PDF/Chresby_A-Your_Will_Be_Done.pdf P. 15

WHAT IS THE LEGAL FUNCTION AND DUTY OF A PARLIAMENTARIAN?

While there are many British and Australian judicial interpretations on precisely what IS the true legal function and duty of a Member of Parliament it will be sufficient, here, to give two such (examples-ed). Heavy print in these two quotations has been added by this writer to stress the points involved. The first is from a British case (for those of legal mind see A.C. 1910, at p. 110) where Lord Shaw of Dumfermline stated, amongst other things:-

"Parliament is summoned by the Sovereign to advise His Majesty freely. By the nature of the case it is implied that coercion, restraint, or money payment, which is the price of voting at the bidding of others, destroys or imperils that function of freedom of advice which is fundamental in the very constitution of Parliament."

The second is from a High Court case ('Horne v Barber' (1920) 27 C.L.R. p. 500):-

"When a man becomes a Member of Parliament, he undertakes high public duties. These duties are inseparable from the position: he cannot retain the honour and divest himself of the duties. One of the duties is that of watching on behalf of the general community the conduct of the Executive, of criticising, and, if necessary, of calling it to account in the constitutional way by censure from his place in Parliament - censure which, if sufficiently supported, means removal from office. That is the whole essence of responsible government, which is the keystone of our political system, and is the main constitutional safeguard the community possesses. The effective discharge of that duty is necessarily left to the Member's conscience and the judgement of his electors, but the law will not sanction or support the creation of any position of a Member of Parliament where his own personal interest may lead him to act prejudicially to the public interest by weakening (to say the least) his sense of obligation of due watchfulness, criticism, and censure of the administration."

(The above judicial decision on the duty and function of a Member of Parliament surely gives rise to the following legal question:-

In debating and voting on strict party lines in his House of the Parliament, is not a Member of the dominant party in serious breach of the law, and in contempt of the Court, for how can a member obey strict party rules and High Court decisions at one and the same time?)

More simply put, these and other interpretations mean:-

(a) **THE SOLE LEGAL FUNCTION** of a Member of Parliament IS TO FREELY ADVISE the Queen in the government of the Country, according to the clearly expressed will of the people, on any matter or thing, i.e., his sole legal function is to legislate.

(b) In legislating, his **SOLE LEGAL DUTY** is that, like a judge entering his court, he shall enter his House of the Parliament, each official Sitting day, and with judge-like dignity and decorum, he shall honestly, impartially, and searchingly examine all matters that properly may be placed before him and, with unbiased judgement, vote according to his conscience and his sense of legal responsibility.

(c) No Member of Parliament has any legal function or duty outside of his House of Parliament, unless that House officially details him otherwise.

(d) It is no legal part of his function or duty to interview Ministers of the Crown or departmental officers for and on behalf of his electors or others.

(e) Such interviewing is purely a social and moral obligation that flows from his public status; obligations which can be, and are, performed by other non-parliamentary public figures without monetary rewards, either by salary or allowances.

(f) There is no constitutional-legal authority for paying Members, out of Crown revenue, for the performance of purely social responsibilities, whether that payment be a parliamentary salary and allowances, or just allowances - State and Federal Parliamentary Allowance Acts notwithstanding.

Of necessity, the following crucial questions must arise out of the aforestated judicial interpretations:-

(a) Who, or what, is it that deliberately prevents back-bench Members of Parliament from faithfully carrying out their sole legal function and duty, as judicially defined?

(b) If it is claimed that legal authority exists then, precisely, what Section of the Constitutions grant constitutional power to pay Members of Parliament salaries, out of Crown revenue, for not faithfully carrying out their judicially defined legal function and legal duty?

(c) Where is the precise Constitutional power to pay allowances, out of Crown revenue, to back-bench Members of Parliament for the performance of judicially defined **PURELY SOCIAL OBLIGATIONS** of interviewing Ministers of the Crown and departmental Officers, for and on behalf of constituents?

(For the legally-minded, it is suggested that the going would be extremely rough, if not impossible, to claim the "implied and incidental powers" of the Constitutions as the authority for such payments.)

More than ninety years of party political control over our seven Australian Parliaments reveal that it is only on very rare occasions that Parliamentary party leaders agree to allow their back-bench Members to have a free, or "conscience", vote. On all other occasions party leaders and party controllers, **DEMAND ABSOLUTE LOYALTY** to the party, and **INSIST** on voting **BEING ON PARTY LINES**.

This raises the further crucial question of whether, under State Criminal Codes and the Commonwealth Crimes Act, Parliamentary party leaders, and controllers, are not severally and individually guilty of deliberately breaching those codes and statutes, i.e., of being guilty of conspiring to prevent back-bench Members of Parliament from fulfilling their judicially defined legal function and duty in their Houses of Parliament?

It also raises the basic question, touched on (previously-ed), of whether or not back-bench Members of Parliament themselves violated their legal duty to the People by freely allowing themselves to be coerced by their leaders and party into not correctly fulfilling their judicially defined legal function and duty and, of a consequence, thereby rendering their Parliamentary Seat vacant by an act of overt or covert conspiracy

The Ongoing Deindustrialisation of Australia By Arnis Luks

Around July last year I travelled to WA. The issue of concern then, was the banning of live sheep exports by the state and federal labor governments. Having this year again travelled to Western Australia, the issue of banning live sheep exports is a *fait accompli*. Another lucrative Australian industry has been shut down.

Jeremy Lee's '*Upon This Mountain*' records the treachery of that then Fraser liberal government in the seventies and eighties, and nineties under Howard aggressively deindustrialising Australia. That labor is continuing on with this policy is no surprise for anyone who pays attention to the dialectic of the uni-party working in tandem.

Little or no noise was heard from the MSM about small business as they struggled to keep going. But the greatest silence of all is/was from the unions (losing permanent jobs and long-term employment) and the Liberal/National coalition membership. It is only a matter of whose turn it has been to 'implement the unpopular policy'. The policy does not change regardless of political party in power.

Malcolm Fraser was the dominant figure in the 1970s, however it is a real question of the dubious circumstances within Parliament, of almost no member lifting a finger to hold the Executive to account for this treachery, of which labor MP Graeme Campbell was alone. Even for the insipid representative, there is the mechanism of 'Question Time' to raise the issue, or using other alternatives, of 'Letters to the Editor', or mainstream media interviews which achieves the same result. It is a question of political will-power. Immersed within the dwarfed-integrity of the representative was silence, especially ongoing silence, as an act of complicity throughout the treachery.

This sordid history of our national surrender of our sovereignty, independence, and self-reliance, is littered with big ideas by little people, supported by a litany of complicit mainstream media, indentured professorships, and membership of board positions attracting lucrative salaries. Little people wishing to build their own personal utopia have only simple desires affecting themselves. The bureaucrat, the transnational industrialists, the political class, given a cupful more power than they should hold, engenders grandiose thoughts affecting many, many others. This glaring issue of Executive treachery requires accountability to bring it back to order.

Banning live sheep exports affects individuals, families, communities and businesses alike. Eyre Peninsula, closer to home, has lost sporting clubs and many social events as their industrial base - like that of rural Western Australia - is wound down. Broad acre farming is requiring bigger and bigger machinery. The fourth Industrial Revolution has displaced man from the industrial processes to allow the few to be 'managers of machines' - doing the work by one man, but, producing the quantity of what 10,000 men from ages past produce, and this, without any mechanism to purchase what the modern machines produce. A similar event occurred several hundred years ago with the clearances, the enclosures, resulting in a tragic 25 percent loss of life during the Irish blight potato famine.

The other crops were still produced but the absentee landlords were not held accountable for a moral answer and so the peasants were left to starve. Those merchant bankers who controlled the then UK Parliament, were more interested in profit than the effects on the little people. This is neoliberalism or libertarianism in thought and action. We are called to pursue a higher purpose - when asked for our shirt to offer our coat also. The Christian unction is not legalistic at all, but moral.

Senator Alex Antic issued a newsletter claiming we – Australia - should opt out of the pandemic 2.0 treaty. This position does not necessarily come from the Liberal party of which he is a member, and also I might add, holds the enviable first-position on the Senate voting ticket. Observing his esteemed position on the voting ticket may reveal 'gas lighting' as a tactic - denying with their mouth what they are doing with their hands. Several in ALOR circles endorsed the coalition for the last election, so you are not alone if you did the same in the hope of a better outcome.

An important point is to realise that the policy espoused by Senator Antic must be reinforced by an active citizenry to wake up the general public that 'he as Senator', and as a spokesman and esteemed position holder for the Liberal party, must 'doubly' be held to account for this statement.

During an election-cycle in the UK several years ago, the then leader of the Conservative party David Cameron committed to a referendum for BREXIT that he, and the party hierarchy, had no intention of upholding. This political game of cat and mouse operates in real-time every day. It is only an active citizenry that can hold this type of historical treachery to account.

The real issue is to get out of the World Health Organisation and all other treaties which diminish our personal and national sovereignty, for which Sen Antic must be commended and the Liberal party pressured-unrelentingly to uphold.

If a businessman made this calibre of statement without any intention of adhering to it, ASIC would immediately draw him before the courts for providing misleading guidance to the market. Yet, our political class came to the profound conclusion under John Howard, that a 'core promise' was above all other election-cycle promises, and so would be adhered to. What humbug.

Our online ALOR PDF library holds three booklets by former MHR Arthur Chresby, which provide some guidance as to 'How To Get What You Want', including a compilation of letters to Governors-General and Governors.

While Senator Antic's integrity is beyond reproach, he is only one man and without an active citizenry coming behind him to support this policy, he will be swamped by his coalition-colleagues and the Parliament. Similar could be said about our monarch, even though he holds a position of high esteem, without the citizenry coming behind him to pursue a policy, he, as our Regal Governors and Governor-General alike, are only one man. At the time of Operation BankWatch, those earlier Eyre Peninsula activists had to be diligently at the wheel to support the 'potential action' of the then South Australian Governor Sir Donald Dunstan. Worth thinking about.

<https://alor.org/Storage/Bankwatch/index.html>

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"All that is necessary
for the triumph of
evil is that good
men do nothing . . ."
— EDMUND BURKE.



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Douglas' 2nd Proof for the A+B Theorem (The Misalignment of Accountancy Cycles) By M. Oliver Heydorn

In *The Monopoly of Credit* (1931), C.H. Douglas presents his second proof for the A+B theorem, arguing that the two core accountancy cycles of an industrial economy: the creation and destruction of money (Cycle 1) and the creation and liquidation of costs (Cycle 2) are misaligned, resulting in a systemic deficiency in purchasing power. The money cycle (Cycle 1) operates at a faster pace than the cost creation and liquidation cycle (Cycle 2), creating a gap between prices and purchasing power that widens with greater dyssynchrony and narrows with greater synchrony. Indeed, if the cycles were perfectly aligned, money creation/spending and cost creation/liquidation would occur simultaneously, eliminating the gap entirely.

This misalignment stems from the nature of B-Costs (e.g., depreciation, loan repayments, maintenance charges, etc.), which are included in prices but contribute minimally to consumer income. These B costs are also recovered over a much longer period than the period of the money cycle (Cycle 1). A payments (e.g., wages), by contrast, align perfectly with the money cycle's quicker pace and are fully distributed as income. Consequently, for any volume of producer credit completing a cycle — from bank to businesses, to consumers or other businesses, and back again to the bank *via* loan repayment — total costs and prices accumulate faster than incomes are distributed, precisely because credit diverted into the B channel is destroyed (e.g., loan repayments), saved, or reinvested, rather than being distributed as concurrent consumer income.

This particular proof has been, for many people, one of the most difficult passages in Douglas' writings to understand, so it seemed fitting to take this time now to first present the passage in question, then to analyze it, and finally to provide some actual numbers to show how the algebra would work in concrete examples.

The text in question reads as follows:

It is also clear that the longer the average period over which money is collected in respect of the creation and destruction of a capital asset (which corresponds to the “life” of an asset), and the shorter the average period over which money is collected for day-to-day living on the part of the community (which corresponds to the “life” of consumable goods), the greater will be the discrepancy between purchasing power and prices.

The former period is the average time in years (N_2) taken to make and wear out a capital asset; it is the time covered by the production and destruction of a cost. Obviously, such a period will vary greatly according to the nature of the asset, but a fair and usual average is twenty years.

The latter period is the average time in years (N_1) during which the money at the disposal of the community (total income) circulates from industry to the consumer and back again.

“In Great Britain, for instance, the deposits in the Joint Stock Banks are roughly £2,000,000,000. In rough figures, the annual clearings of the clearing banks amount to £40,000,000,000. It seems obvious that the £2,000,000,000 of deposits must circulate twenty times in a year to produce these clearing-house figures, and that therefore the average rate of circulation is a little over two and a half weeks. . . . The clearing-house figures just quoted contain a large number of ‘butcher-baker’ (second-hand) transactions, and these must be deducted in estimating circulation rates.” –C.H. Douglas in *The New and the Old Economics*.

After making the necessary correction for the volume of second-hand transactions and for payments that do not go through the clearing-house, we may conclude that the average period of circulation of the money spent upon consumable goods is about two months, or one-sixth of one year.

The effect of the very great disparity between these two rates is as follows:

Let $n_1 = 1 / N_1$ = number of circulations per year, say 6.

Let $n_2 = 1 / N_2$ = number of circulations per year, say 1/20.

Let A = all disbursements by a manufacturer which create costs = wages and salaries

Let B = all disbursements by a manufacturer which transfer costs = payments to other organisations

The manufacturer pays £ A per annum into the N_1 system, and £ B per annum into the N_2 system.

Disregarding profit, the price of production is £ ($A + B$) per annum. But to purchase (i.e. to cancel the allocated cost of £($A + B$)) there is present in the hands of the consumer :-

$$£(An_1 + Bn_2) / n_1 = £(A + Bn_2/n_1)$$

Consequently, the rate of production of price values exceeds the rate at which they can be cancelled by the purchasing power in the hands of the consumer by an amount proportional to

$B(1 - n_2/n_1) = \text{approximately } B$

This deficit may be made up by the export of goods on credit, by the writing down of goods on credit, by the writing down of goods below cost, by bankruptcies, and by money distributed for public works and charged to debt. But in the main it is represented by mounting debt.

It will readily be seen how this situation in which, not production, but money, is chronically insufficient, must transfer control to the institutions which have acquired the monopoly of money-making. In order that the industrial system may not grind to a standstill, an increasing issue of money, chiefly for capital production, is necessary to bridge the gap between purchasing power and prices – a gap which is the only possible explanation of the anomaly between a half-idle production system and a half-starving population. But as this fresh money is claimed by the banking system, and has to be repaid, the situation is cumulatively worsened.¹

Section 1: Disparity in Cost Recovery Periods

Original Text: “It is also clear that the longer the average period over which money is collected in respect of the creation and destruction of a capital asset (which corresponds to the ‘life’ of an asset), and the shorter the average period over which money is collected for day-to-day living on the part of the community (which corresponds to the ‘life’ of consumable goods), the greater will be the discrepancy between purchasing power and prices.”

Comment: Douglas highlights that the differing periods for recovering capital costs (B-Costs) versus circulating wages (A-Costs) create a systemic gap between prices and consumer income, which grows larger as the capital recovery period lengthens and the wage circulation period shortens, due to their combined effect on the cumulative purchasing power deficit over time.

Explanation: Capital assets (e.g., machinery) have a long economic life (e.g., 20 years, $N_2 = 1/20$ annually), meaning their costs (B-Costs, e.g., depreciation, loan repayments) are recovered slowly through prices, while contributing minimally to consumer income in the short term (e.g., $1/120$ in a 2-month cycle). In contrast, consumable goods (e.g., food) are produced and consumed quickly (e.g., 2 months, $N_1 = 6$ cycles/year), with their A-Costs, e.g., wages, fully distributed as income in each cycle.

This timing mismatch creates a per-cycle deficit: prices include all costs (A + B),

¹ C.H. Douglas, *The Monopoly of Credit* 4th edition (Sudbury, England: Bloomfield Books, 1979), 46-50.

but purchasing power is limited to A payments plus a small fraction of B-Costs, as B payments (e.g., to suppliers, banks) are mostly saved (e.g., depreciation reserves), destroyed (e.g., loan repayments), or reinvested (e.g., into other firms' B-Costs), triggering only limited anticipatory A payments (e.g., supplier wages).

The shorter the money cycle (larger $N1$), the more cycles occur annually, amplifying the annual deficit. For example, at $N1 = 6$, annual costs are 6 times the per-cycle costs, but income lags due to B-Costs' limited contribution. Simultaneously, the longer the capital recovery period (smaller $N2$), the more money cycles occur over that period, accumulating a larger total deficit. For example, over 1 year ($N2 = 1$), 6 cycles occur, but over 20 years ($N2 = 1/20$), 120 cycles occur, each adding to the gap. A shorter money cycle (e.g., 1 month, $N1 = 12$) doubles the annual cycles, and a longer recovery period (e.g., 40 years, $N2 = 1/40$) doubles the total cycles, together maximizing the cumulative discrepancy.

Section 2: Defining Recovery and Circulation Periods

Original Text: “The former period is the average time in years ($N2$) taken to make and wear out a capital asset; it is the time covered by the production and destruction of a cost. Obviously, such a period will vary greatly according to the nature of the asset, but a fair and usual average is twenty years. The latter period is the average time in years ($N1$) during which the money at the disposal of the community (total income) circulates from industry to the consumer and back again.”

Comment: The recovery period for B-Costs and the circulation period for A-payments set the rates at which money is created/destroyed (Cycle 1) and costs are created/liquidated (Cycle 2), driving the misalignment.

Explanation: Douglas defines the capital recovery period as the average life of a capital asset, assumed to be 20 years ($N2 = 1/20$ annually). This reflects a typical depreciation schedule (e.g., a £100,000 machine depreciated at £5,000/year) that is based on 1930s industrial norms, where assets like machinery or factories often lasted 10–50 years, with 20 years as a reasonable average. The circulation period for consumable goods, tied to wages, is the time money circulates through the economy (e.g., 2 months, $N1 = 6$ cycles/year) as it moves from banks to businesses to consumers and back. B-Costs (e.g., depreciation, loan repayments) are recovered over 20 years, contributing only a fraction to income per cycle (e.g., 1/120 in 2 months). While B payments trigger limited A payments (e.g., a supplier's wages), A payments (wages) are fully distributable as income in each 2-month cycle, aligning with the money cycle's pace. This disparity in rates — rapid for A-Payments, slow for B-Payments — means many money cycles occur within the capital recovery period, each adding to the purchasing power deficit.

Section 3: Estimating N1 Using Banking Data

Original Text: “In Great Britain, for instance, the deposits in the Joint Stock Banks are roughly £2,000,000,000. In rough figures, the annual clearings of the clearing banks amount to £40,000,000,000. It seems obvious that the £2,000,000,000 of deposits must circulate twenty times in a year to produce these clearing-house figures, and that therefore the average rate of circulation is a little over two and a half weeks. . . . The clearing-house figures just quoted contain a large number of ‘butcher-baker’ (second-hand) transactions, and these must be deducted in estimating circulation rates.”

Comment: The money cycle’s frequency is derived from economic data on money circulation, providing a practical basis for the A-payment distribution rate.

Explanation: Douglas uses 1930s UK banking data to estimate the circulation period of money, initially calculating a 2.5-week cycle (20 cycles/year) based on bank deposits (£2 billion) and annual clearings (£40 billion). However, he adjusts for “butcher-baker” transactions (second-hand exchanges, e.g., consumer-to-consumer payments) and other non-clearing-house payments, concluding in the next section that the adjusted circulation period for consumable goods is about 2 months ($N1 = 6$). This reflects the average time for money to move from banks (*via* loans) to businesses (as production costs), to consumers (as wages), and back to banks (via repayments), aligning with the rapid distribution of A payments (e.g., wages paid out during a two month period). This contrasts with the slow recovery of B-Costs over 20 years. As more money cycles occur concomitantly within the capital recovery period, this adds cumulatively to the deficit. A shorter money cycle (e.g., 1 month, $N1 = 12$) would increase the annual cycles to 12, further amplifying the annual and cumulative gap, since each cycle generates costs faster than income.

Section 4: Formalizing the Disparity

Original Text: “After making the necessary correction for the volume of second-hand transactions and for payments that do not go through the clearing-house, we may conclude that the average period of circulation of the money spent upon consumable goods is about two months, or one-sixth of one year.

The effect of the very great disparity between these two rates is as follows:

Let $n_1 = 1 / N_1$ = number of circulations per year, say 6.

Let $n_2 = 1 / N_2$ = number of circulations per year, say 1

Let A = all disbursements by a manufacturer which create costs = wages and salaries

Let B = all disbursements by a manufacturer which transfer costs = payments to other organisations

The manufacturer pays £A per annum into the N_1 system, and £B per annum into the N_2 system.

Comment: The disparity is quantified by calculating purchasing power as a function of A payments, B payments, and their respective rates ($N1$, $N2$), showing that B payments contribute minimally to income.

Explanation: Douglas concludes that the circulation period for consumable goods is 2 months ($N1 = 6$), and formalizes the disparity with a $N2 = 1/20$ capital recovery rate (20-year capital recovery), A-Costs (wages, salaries), and B-Costs (payments to other organizations, e.g., for raw materials, bank charges). Purchasing power per cycle is $£A + £B \times (N2 / N1)$, where $£A$ is fully distributed, but $£B$ contributes only 1/120 in a 2-month cycle (0.833% of $£B$), as B payments are mostly saved (e.g., depreciation reserves), destroyed (e.g., loan repayments), or reinvested (e.g., into other firms' B-Costs), with a small fraction becoming consumer income via secondary effects (e.g., a supplier paying wages).

The 1/20 annual rate (5%) is a simplifying assumption by Douglas, based on a 20-year average asset life, implying that 1/20 of B payments annually become A payments through economic activity (e.g., a firm paying a supplier who then pays wages), though the actual rate may be lower due to B payments often flowing into further B-Costs (e.g., the supplier's depreciation). In a given cycle, prices are $£A + B$, but purchasing power is limited, creating a deficit that accumulates over more cycles as $N1$ increases or $N2$ decreases, i.e., as more frequent cycles (shorter money cycle) and more total cycles (longer recovery period) exacerbate the gap.

Section 5: Price vs. Purchasing Power

Original Text: Disregarding profit, the price of production is $£(A + B)$ per annum. But to purchase (i.e. to cancel the allocated cost of $£(A + B)$) there is present in the hands of the consumer :

$$£(An_1 + B n_2) / n_1 = £(A + B n_2/n_1)$$

Consequently, the rate of production of price values exceeds the rate at which they can be cancelled by the purchasing power in the hands of the consumer by an amount proportional to

$$B(1 - n_2/n_1) = \text{approximately } B$$

Comment: The mismatch between prices and purchasing power in each cycle drives the systemic deficit, which grows over time as the number of cycles increases.

Explanation: In a 2-month cycle, prices are $£A + B$, reflecting all production costs, but purchasing power is $£A + £B \times (N2 / N1)$, as B-Costs contribute minimally to income due to their slow conversion rate (e.g., 1/120 in 2 months, or 0.833%).

This per-cycle deficit accumulates over the capital recovery period—for example, over 20 years ($N2 = 1/20$), 120 cycles occur at $N1 = 6$, each adding to the gap. A shorter money cycle (e.g., $N1 = 12$) doubles the annual cycles to 12, increasing the annual deficit, while a longer recovery period (e.g., $N2 = 1/40$, 40 years) doubles the total cycles to 240, amplifying the cumulative deficit. B-Costs remain in prices but are not fully liquidatable by the income that is released during the same productive process, forcing reliance on debt to bridge the gap, which compounds over time as more cycles occur.

Section 6: Consequences of the Deficit

Original Text: “This deficit may be made up by the export of goods on credit, by the writing down of goods on credit, by the writing down of goods below cost, by bankruptcies, and by money distributed for public works and charged to debt. But in the main it is represented by mounting debt.”

Comment: The deficit forces reliance on debt, credit sales, or bankruptcies, often resulting in mounting debt as the primary mechanism to clear goods.

Explanation: The per-cycle deficit requires new money (e.g., loans) to sell goods, as consumers lack sufficient income to purchase all production due to B payments’ limited income contribution (e.g., 0.833% per cycle). Over 20 years, with 120 cycles at $N1 = 6$, this debt accumulates significantly (e.g., £4.76 million as per example #1 below), exacerbating economic distortions. Firms may resort to credit sales (increasing future repayment burdens), write down goods below cost (incurring losses), or face bankruptcies if goods remain unsold, while public works funded by debt (e.g., infrastructure projects) add to the debt burden. In the main, however, the deficit results in mounting debt, as banks create new money to bridge the gap, increasing future B-Costs (e.g., loan repayments) and compounding the cycles’ misalignment over the capital recovery period.

Section 7: Systemic Implications and Banking Control

Original Text: “It will readily be seen how this situation in which, not production, but money, is chronically insufficient, must transfer control to the institutions which have acquired the monopoly of money-making. In order that the industrial system may not grind to a standstill, an increasing issue of money, chiefly for capital production, is necessary to bridge the gap between purchasing power and prices – a gap which is the only possible explanation of the anomaly between a half-idle production system and a half-starving population. But as this fresh money is claimed by the banking system, and has to be repaid, the situation is cumulatively worsened.”

Comment: The systemic deficit creates a dependency on bank credit, centralizing economic control and perpetuating the gap.

Explanation: The cumulative deficit (e.g., £4.76 million over 20 years at $N1 = 6$, $N2 = 1/20$) forces continuous borrowing, as each cycle's gap requires new debt to clear goods. A shorter money cycle (e.g., $N1 = 12$) or longer recovery period (e.g., $N2 = 1/40$) would increase the total cycles (e.g., 240), raising the cumulative deficit to £9.56 million, further increasing debt. This empowers banks, which create money as loans, increasing their control over the economy. Over time, the debt burden grows and grows, as do future B-Costs (including interest payments), further widening the purchasing power gap and entrenching banking dominance. This is a key systemic flaw which Douglas critiques in industrial economies, where the half-idle production system (e.g., factories at partial capacity) can coexist with a half-starving population due to insufficient purchasing power.

Key Points

The two cycles are out of sync: money creation/destruction (Cycle 1) operates at $N1 = 6$, while cost creation/liquidation (Cycle 2) is slowed by B-Costs' 20-year recovery ($N2 = 1/20$).

- A shorter money cycle (higher $N1$) and longer capital recovery period (smaller $N2$) would increase the cumulative deficit by generating more cycles, each adding to the gap.
- B-Costs contribute little to income (e.g., 0.833% per cycle) because B payments are generally saved, destroyed, or reinvested, not distributed as, or rather triggering, much by way of wages.
- The systemic deficit forces the contracting of more and more debt-money, empowering banks and perpetuating economic imbalance.
- Douglas proposes debt-free credit (e.g., Social Credit dividends and discounts) to, in a sense, synchronize the cycles, by providing consumers with purchasing power independently of the process of production and its associated costs. ***

Appendix: Concrete Examples of the Equations in Action

Below are six concrete scenarios exploring the impact of varying $N1$ (money cycle frequency) and $N2$ (capital recovery period) on the purchasing power deficit. All models assume the revolving volume of money that is issued for production per money cycle (Cycle 1) to be £100,000.

Once again, the price of production is £ (A + B) per annum. But to purchase (i.e. to cancel the allocated cost of £(A + B)) there is present in the hands of the consumer :
 $\pounds (An_1 + B n_2) / n_1 = \pounds (A + B n_2/n_1)$

1. Basic Model (2-Month Money Cycle, 20-Year Capital Recovery)

Per-Cycle (2-Month Cycle, $N_1 = 6$, $N_2 = 1/20$):

Purchasing Power: $\pounds A + \pounds B \times (N_2 / N_1) = \pounds 60,000 + \pounds 40,000 \times (1/20 \div 6)$
 $= \pounds 60,000 + \pounds 333.33 = \pounds 60,333.33$.

Per-Cycle Deficit: $\pounds 100,000 - \pounds 60,333.33 = \pounds 39,666.67$.

Annualized ($N_1 = 6$):

Total Costs: $\pounds 100,000 \times 6 = \pounds 600,000$.

Total Income: $\pounds 60,333.33 \times 6 = \pounds 362,000$.

Annual Deficit: $\pounds 600,000 - \pounds 362,000 = \pounds 238,000$.

2. Faster Money Cycle (1-Month Money Cycle, 20-Year Capital Recovery)

Per-Cycle (1-Month Cycle, $N_1 = 12$, $N_2 = 1/20$):

Purchasing Power: $\pounds 60,000 + \pounds 40,000 \times (1/20 \div 12) = \pounds 60,000 + \pounds 166.67$
 $= \pounds 60,166.67$.

Per-Cycle Deficit: $\pounds 100,000 - \pounds 60,166.67 = \pounds 39,833.33$.

Annualized ($N_1 = 12$)

Total Costs: $\pounds 100,000 \times 12 = \pounds 1,200,000$.

Total Income: $\pounds 60,166.67 \times 12 = \pounds 722,000$.

Annual Deficit: $\pounds 1,200,000 - \pounds 722,000 = \pounds 478,000$.

3. Slower Money Cycle (6-Month Money Cycle, 20-Year Capital Recovery)

Per-Cycle (6-Month Cycle, $N_1 = 2$, $N_2 = 1/20$):

Purchasing Power: $\pounds 60,000 + \pounds 40,000 \times (1/20 \div 2) = \pounds 60,000 + \pounds 1,000$
 $= \pounds 61,000$

Per-Cycle Deficit: $\pounds 100,000 - \pounds 61,000 = \pounds 39,000$.

Annualized ($N_1 = 2$):

Total Costs: $\pounds 100,000 \times 2 = \pounds 200,000$.

Total Income: $\pounds 61,000 \times 2 = \pounds 122,000$.

Annual Deficit: $\pounds 200,000 - \pounds 122,000 = \pounds 78,000$.

4. Faster Capital Recovery (2-Month Money Cycle, 10-Year Capital Recovery)

Per-Cycle (2-Month Cycle, $N_1 = 6$, $N_2 = 1/10$):

Purchasing Power: $\pounds 60,000 + \pounds 40,000 \times (1/10 \div 6) = \pounds 60,000 + \pounds 666.67$
 $= \pounds 60,666.67$.

Per-Cycle Deficit: $\pounds 100,000 - \pounds 60,666.67 = \pounds 39,333.33$.

Cumulative Deficit Over Capital Recovery Period (10 Years, $N_2 = 1/10$):

Total Cycles: 10 years \times 6 cycles/year = 60 cycles.

Cumulative Deficit: $\text{£}39,333.33 \times 60 = \text{£}2,360,000$.

5. Slower Capital Recovery (2-Month Money Cycle, 40-Year Capital Recovery)

Per-Cycle (2-Month Cycle, $N_1 = 6$, $N_2 = 1/40$):

Purchasing Power: $\text{£}60,000 + \text{£}40,000 \times (1/40 \div 6) = \text{£}60,000 + \text{£}166.67 = \text{£}60,166.67$.

Per-Cycle Deficit: $\text{£}100,000 - \text{£}60,166.67 = \text{£}39,833.33$.

Cumulative Deficit Over Capital Recovery Period (40 Years, $N_2 = 1/40$):

Total Cycles: 40 years \times 6 cycles/year = 240 cycles.

Cumulative Deficit: $\text{£}39,833.33 \times 240 = \text{£}9,560,000$.

6. Combined Faster Money Cycle and Slower Capital Recovery (1-Month Money Cycle, 40-Year Capital Recovery)

Per-Cycle (1-Month Cycle, $N_1 = 12$, $N_2 = 1/40$):

Purchasing Power: $\text{£}60,000 + \text{£}40,000 \times (1/40 \div 12) = \text{£}60,000 + \text{£}83.33 = \text{£}60,083.33$.

Per-Cycle Deficit: $\text{£}100,000 - \text{£}60,083.33 = \text{£}39,916.67$.

Annualized ($N_1 = 12$):

Total Costs: $\text{£}100,000 \times 12 = \text{£}1,200,000$.

Total Income: $\text{£}60,083.33 \times 12 = \text{£}721,000$.

Annual Deficit: $\text{£}1,200,000 - \text{£}721,000 = \text{£}479,000$.

Cumulative Deficit Over Capital Recovery Period (40 Years, $N_1 = 12$, $N_2 = 1/40$):

Total Cycles: 40 years \times 12 cycles/year = 480 cycles.

Per-Cycle Deficit (from prior calculation): $\text{£}39,916.67$.

Cumulative Deficit: $\text{£}39,916.67 \times 480 = \text{£}19,160,001.60$
(approximately $\text{£}19.16$ million).

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