



The Committee to Re-plan Australia

Submission to

**Senate Select Committee on the Free Trade Agreement
between Australia and the United States of America**



The Committee to Re-plan Australia

PO Box 166

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**The Secretary
Senate Select Committee on the Free Trade Agreement
between Australia and the United States of America
Suite S1.30.1
The Senate
Parliament House
Canberra ACT 2600
AUSTRALIA**

Dear Sir/Madam,

The Committee to Re-plan Australia, was formed by a small group of independent thinkers, who, collectively felt that the Government of the day had lost its way, and was incapable of thinking clearly, about what was best for Australia in the long run. We had interest rates at all time highs – 25.4% - and we had almost a million Australians out of work.

As a group we felt that the Government of the day, was not representing the interests, of those Australians, who had voted them in to the government benches, and that they were certainly not representing the interests, of the majority of Australians who, dreamt of one day owning their own homes.

With this as a background, we have from time to time issued press releases, which invariably are ignored by the popular press and radio. We continue however, to comment on the issues of the day, in the hope that responsible people, will derive benefit from non political comment, that may be incorporated into their range of considerations.

Our submission, for consideration by The Senate Select Committee, on the proposed 'Free Trade Agreement' between Australia and the USA., is attached. We believe our submission, represents the thinking of a very large section of the Australian public, who would not normally be in a situation, where they could submit their views, to a select committee.

Yours Sincerely.

*J. K. Bain
For and on behalf of
The Committee to Re-plan Australia.*

FREE TRADE

The Committee to Re-plan Australia

Free Trade with America?

When talking about free trade with America, one thing which can be overlooked especially by starry eyed politicians, is that The American Government, despite its supposed reckless market fundamentalism, it actually spends more than US\$90 billion (A\$165 billion) of its federal budget each year on handouts to business: farm subsidies much of which goes to agric-business and not all to farmers, research grants, export credit guarantees, and incentives of many kinds. Moreover that figure, calculated by the Cato institute, a Washington think tank, is certain to be an under estimate, as the true extent of what such critics call “corporate welfare” is not disclosed. Other rich countries do the same, especially for agric-businesses, but not only those. In the year 2000 export credit guarantees outstanding from the 30 OECD members totaled US\$330 billion (A\$440 billion about the same figure as Australia’s GDP).

Governments interventionist itch.

You may ask what is wrong with that? Surely, now that most agree that socialism doesn’t work and that direct government ownership of other than basic services such as water, power and health is usually disastrous, so should politicians work closely with businessmen? After all they are the ones who know how to make things happen and create jobs.

They are. But that is what, as far as possible, they should be left to do, in competition with one another and at arms length from government. The job of a chief executive is to make profits for his company and, no doubt, feather his own nest, it is not to make public policy – especially in his own industry, for that is where his selfish interests will be greatest. Inviting him to advise government, or listening to his views about promoting share options to help his industry, is sure to divert public policy to private ends. This is not the fault of executives or their companies; it is the fault of government.

Ministers and business, do of course share some goals; they both want faster economic growth and they often both want jobs to be created or, in common political parlance “protected”. So the urge to co-operate is powerful, by ministers acting as salesmen abroad or slanting regulations, tax breaks and subsidies to promote desired outcomes at home. It is not always corrupt or self serving or distorting, and it is often done with honorable motives. But it still ought to be avoided, for five main reasons.

The first is that, far more often than not, the outcome is bent to selfish ends. Adam Smith wrote in the 18th century that trade regulations “may, I think, be demonstrated to be in every case a common piece of duplicity, by which the interest of the State and the nation is constantly sacrificed to some particular class of traders” The same applies to many regulatory and fiscal measures. Once established such measures become perilously hard to change, for the beneficiaries fight to keep them.

The second is also shared with trade protection. It is that even if such intervention may be justified on some economic ground or other, government do not have the

knowledge or competence to be able to direct it properly, in terms of quantity, character and timing. That is why governments end up seeking business's advice, which returns us to the previous position.

Third, interventions are never neutral. Money or privileges are given to one group at the expense, directly or indirectly, of others or tax payers in general. Even within an industry, the interest of the firms consulted may differ from those of other firms. Efforts to even things out just add to the costs. And domestic interventions distort international competition just as much as tariffs.

Fourth, all fiscal and regulatory interventions are an invitation not only for lobbying but also for outright corruption. That, it must be admitted, is why some politicians like them; they provide the leverage with which to extract political donations.

Fifth, and perhaps most fundamental, is the related fact that close ties between business and government are detrimental to democracy, and to public trust in democratic government. Companies pose a problem for democracy by their very existence, for through their command over resources, persuasive power and many legal privileges (such as limited liability that is the basis of joint-stock companies) they unavoidably carry much more potential weight than do individual citizens. Similarly, political equality is challenged by extremes of wealth, for with more money may come more political power. Both inequalities have to be tolerated because they bring social advantages too, but there are limits. In democracies, governments have to be the arbitrators, the counterweights to powerful private groups. But if they allow, or even encourage, companies and wealthy individuals to manipulate them, they risk stretching public faith in democracy to breaking point.

So whereas free trade may in principle be attainable (though it in reality remains a distant prospect) because the bargaining in government trade deals could go all the way to zero, the complete detachment of governments from business, lobbies and donors will not.

Contributed by Bill Emmot

Free Trade

Free trade is a subject the Committee has had on it's agenda for some years now and frankly we do not believe there is such a thing. Prime Minister Whitlam was keen to be remembered for having instigated a drive for "Free Trade" in the world. Quite an ambitious program for a country that controls less than 1% of the world trade, but one which has cost Australia dearly.

For example Whitlam reduced Australian Tariffs across the board by 25%, and at the same time he increased the value of the Australian \$ by 17%. The end result, was the start of business in Australia going off shore, to re establish their manufacturing plants where cost of labour was much lower than in Australia so that they might compete with what was in effect a reduction in the cost of imports by a net 28%.

For those of the committee who can remember we had all sorts of fall out. General Motors, Ford and Chrysler lost export markets for Australian Built cars and Trucks to South Africa, Malaysia, Singapore, New Zealand, Hong Kong and the West Indies right hand drive markets. Not only had the action destroyed what was building into a good export market but sales were assisting Australian Manufacturers with some benefit of increased production and reduced costs. The profit was effectively removed from those companies by the 17% hike in the value of the Australian Dollar and it killed a budding enterprise.

A country that enjoys less than 1% of the global market trade share, had no place in trying to introduce "Free Trade". The Committee some years ago decided that it would be in Australia's best interest to sit back and let the trading giants come to some agreement and we refer to the European Community, Japan and the USA, and when they sorted it out, then we in Australia should consider our position.

In a recent Radio and TV interview the CEO of the World Bank offered the opinion that Free Trade agreements were bad for the developing countries in the world and perhaps we should consider that aspect before we jump in at the deep end.

There are many other aspects which we will cover in this submission, it is however the considered opinion of the committee that free trade has no benefits for Australia as a whole. Some few segments may - may, benefit marginally but we doubt the wisdom of going ahead with this agreement.

You will note from the chart below that our present exports to the USA represent only 10% of the total Australian Export Market. We believe from the research we have carried out in the past that it would be very wrong to suppose that this percentage would be increased as a result of a free trade agreement.

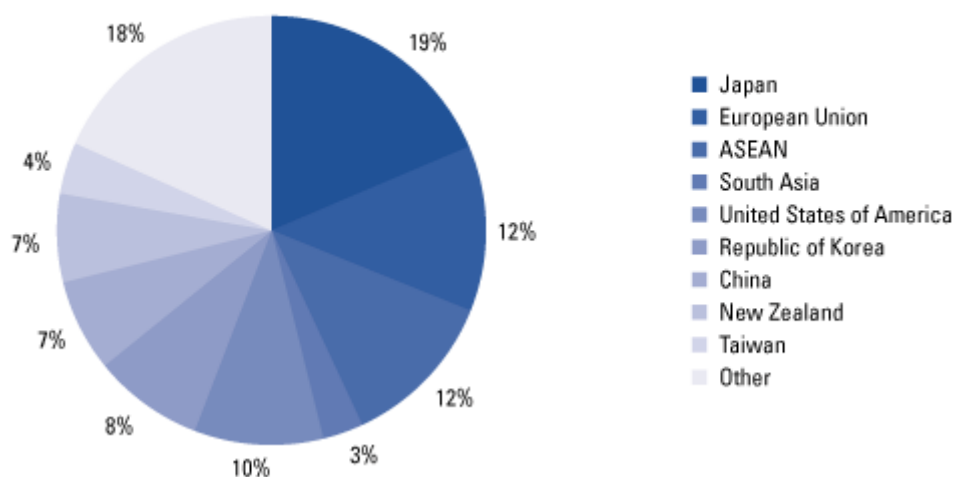
You may question this belief, however there have been many studies carried out that will support this belief. Even without referring to those studies just a trifle of common sense will tell you that when you try and compete with a country with a population approaching 300 million which has incredible benefits of scale, it is almost impossible unless it is into niche markets such as enjoyed by Cocklear or our very efficient Wine Industry.

One could add small segments of the Auto market where Holden has been able to fit in the 2 door coupe and Mitsubishi has managed a small segment with the left hand drive version of the Magna. Those however are not large volume sections of the US market where every Auto Manufacturer in the world wants to compete.

White goods are also out of the question because we do not have a high volume local market from which to jump. In fact the local market struggles to exist against imports as it is. We do not have a clothing industry or a shoe industry that can compete, they have already gone off shore.

That leaves Farm Produce as perhaps the only area where we do enjoy economies of scale, and this proposed agreement effectively blocks this out for up to 18 years.

DIRECTION OF AUSTRALIA'S MERCHANDISE EXPORTS 2002



The only thing a free trade agreement can do for Australia is increase the volume of US imports and that can only be at the expense of Australian industry and jobs or at the expense of reciprocal trade with other established trading partners. That would not be to our benefit at all.

Were the agreement to have a very strict clause that ensured that the value of trade was balanced perhaps one could re evaluate the position. Without that, the agreement should be totally rejected.

The Committee is also concerned that not enough attention has been given to the balance of trade – Imports vs. Exports. A free trade agreement with America will almost certainly make our situation even worse in this regard

Agreements and a Question of Trust

It would be prudent of us, to consider America's record of holding agreements. We could start with the Bretton Woods agreement. Decided in 1944 as the standard for a new world financial situation post war, that would enable progress to be made by all nations big and small. That was fine until 'TRICKY DICKY' came along and decided that it did not suit the USA in 1970 so bugger the agreement, they devalued the \$US by 50% and demanded that all contracts be written in \$US terms. They threw the world into a downward spiraling spin which triggered off the greatest inflationary spiral in history. Interest rates went mad especially here in Australia.

There is ample evidence that during World War II America was still financing Germany against the Allies. That after the war they made moves that let China fall into the hands of the Communists. In addition while most of us were worried sick during the cold war America was letting Russia have secrets that enabled them to develop the "BOMB"

Bush in his pre election speeches, said, he was certainly not into Nation building, and would avoid it like the plague, and here he is with ears back rebuilding Afghanistan and Iraq.

The previous President, worked hard to try and get a settlement, for Israel and Palestine, even got the heads of state to shake hands and agree to work together, and along comes Bush, and tells Sharon to go ahead, and keep some of the occupied land, that the United Nations has issued resolutions on for years, and Bush disregards those resolutions, made by the world body, so do you really think he gives a damn about Australia. Yes, we have seen him shake hands with Mr. Howard and all that, but that was about getting what he wanted, not caring about Australia.

What if the next president decides he must have greater US rural support, for his second term, and to do so, he takes back all the promises made to Australia in the free trade agreement. In the mean time, the USA corporations have taken over Australia's gold production, and in ground reserves. Stiff luck fellows.

Elsewhere in this submission we have noted that relationships between Business and Government should be at arms length. Government does not have the skills to make wise decisions with regard to trade other than by setting the overall rules within which business should operate. The Committee's views on this matter are very clear. We have suggested that the American government will, or at least is capable of, changing its mind, if political pressure is applied through certain business interests. Clearly this is why there are restrictions on the export of beef to America. It does not matter, that the finest disease free beef comes from Australia. It is the last disease free area in the world, and we must keep it this way. This will require that we have in place rules and regulations that are not compatible with free trade.

The attachment to our section on agriculture, gives the committee some idea, of the lackadaisical way in which "Mad Cow Disease", is being handled by the USA

department of agriculture. Australia, could be getting diseased meat products imported, right now. What if it gets loose here?

There are many other areas where questions must be asked, but it is patently obvious, that if questions have been asked, they have been swept under the bed, so to speak. As an example that comes to mind, could someone advise this committee, why 25% of the board members of the Reserve Bank of Australia, are business people, from the same company, with very direct American interests. The members referred to, are also very directly linked to the World Trade Center. They are also involved in what is referred to as, the greatest insurance scam in America's history. See attached report.

Can you trust a government that conceals the truth about 911? Within 72 hours of 911 they named 19 terrorists. We now know that this was false flag flying, but the situation has not been corrected, of the 19, at least 7 were never in the USA on 911. Two and a half years later and there has never been an investigation into the 911 situation. In Australia we have spent more time and money investigating what went wrong when a train went off the rails , or when a light twin engine plane crashed on its way to Whyalla killing 8 people.

We are too close to America in many ways, certainly we have a defense agreement with them. However; at the moment there are many questions, which are not being given reasonable answers. At the moment Americans, Australians, Brits and Europeans, are terrified of terrorist activity, and we keep being told of threats being made . There is one curious factor, which intrigues our Committee, and that is simply that when terrorists make a strike, they invariably also make a claim. A bomb thrown into a Pub in Northern Ireland, which kills people, is always claimed by the thrower. If it is a suicide bomb in Israel, Hamas or some other group will make the claim. Strange that no one, has made the claim about the World Trade Center. One thing we do know, and that is that Bin Laden says his organization did not do it. Who did?

No one has claimed responsibility for pulling off the greatest military action ever taken in the world? At the opening of the present investigation, the Chairman in his opening remarks, stated that Bin Laden was responsible. Investigations are not even open. Two and a half years down the track, and nothing has been done to try and find out what happened, or was it an inside job? Carried out to create a New Pearl Harbour, and get the American people mad as a snake, and con the UK, and Australia, and other nations to back them in an illegal act. Can we really trust the Americans?

Unless there is a complete change in the administration in America we should question the whole organization.. Changing from one "Skull & Bones" man to another "Skull & Bones" man is going to give America more of the same and still leave questions not answered.

The Committee to Re-plan Australia, is firmly of the belief, that for the time being, any question of a free trade agreement with America, should be shelved until such times as we see the political situation in that country, stabilising and international problems, particularly in the Middle East reach a satisfactory resolution that will remove the reasons for terrorism. **Look under the bed!**

GOLD

The Committee to Re-plan Australia

GOLD

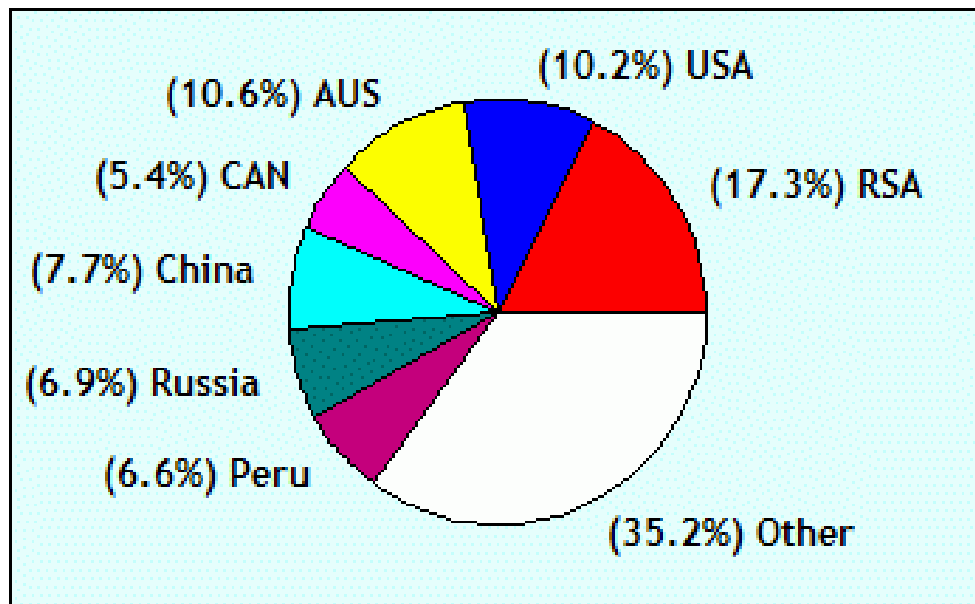
One aspect, of the proposed free trade agreement, that concerns the Committee very much, is the liberal investment rights, that the proposed agreement bestows on the USA owned and based corporations, is, the no reference to Treasury for investments up to US\$800,000,000 in any one deal.

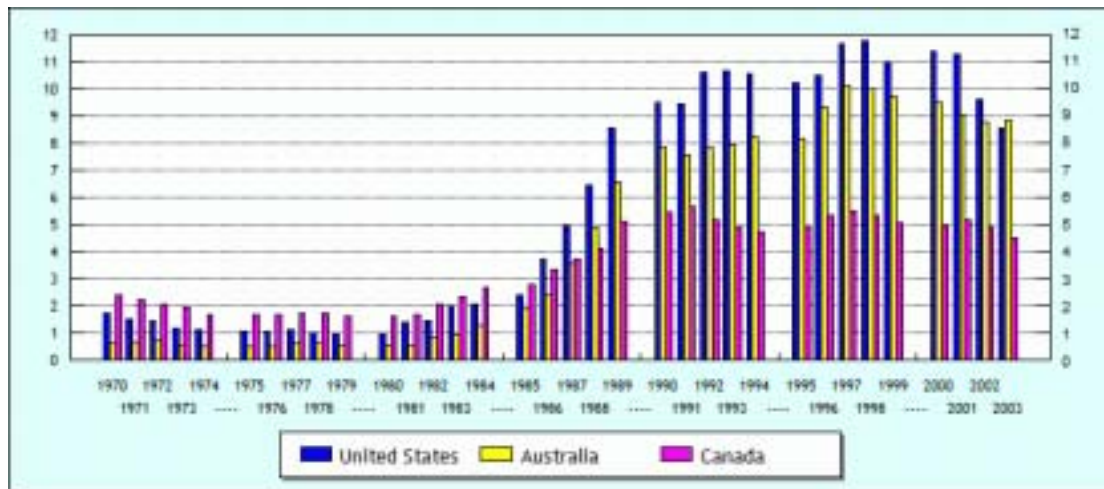
Listen carefully, to the Chairman of the Federal Reserve Bank of America Mr. Greenspan. In his recent speeches, he has been hinting that there must be changes made, to the present system of “Fiat” money, which is responsible for all the inflationary pressures, in the world since at least 1971. Greenspan has always been a “Gold Standard Believer” and, it is not unthinkable that something could be done about this, in the foreseeable future.

(For those on the Committee who are not aware of it the “FED” is a privately owned corporation that has done untold damage to the USA, but none the less, controls the finances of that country and has an incredible level of control outside the USA.)

With this in mind, we would like to put this senario to the committee:-

Australia is per head of population, the highest producer of Gold in the world, and, it is estimated that we hold around 25% of the worlds reserves of in ground gold. Current Australian production accounts for around 11%+ of world production. Australia exports around \$5.2 Billion in gold each year.





You can see from the chart, that in the year 2003, Australian Gold Production exceeded that of the USA, and, that the combined production of USA, Canada and Australia, amounts to 26.2% of world production. In addition to this, the USA is making very heavy investments in Russia, to get control of as much of the gold potential offered in that country as it possibly can.

The Committee suggests, that if for no other reason than this, Australia should not go ahead with the free trade agreement.

Consider the various implications, of the agreement as proposed, (and remember that no country can trust the USA as it is presently controlled) “committees opinion” - and will be backed up in this submission, the side agreement, that in effect permits the USA to invest and take over Australian Gold assets to the tune of US\$800,000,000 per investment, without reference or permission from the Australian Government, would permit that country to take over and control, one of our greatest assets, particularly if there is a change to the Gold Standard, in world finances.

If the USA can get control of just half of Russia’s gold, and under the umbrella of a free trade agreement, get control of Australia’s industry, they will have a strangle hold on world finances.

It is imperative that Australia keeps control of its Gold in and out of the ground, particularly at a time when there are potential problem, with the world monetary systems. See attached for further information.

Look under the bed.

Gold and Economic Freedom

By ALAN GREENSPAN

An almost hysterical antagonism toward the gold standard is one issue which unites statist of all persuasions. They seem to sense-perhaps more clearly and subtly than many consistent defenders of laissez-faire-that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other.

In order to understand the source of their antagonism, it is necessary first to understand the specific role of gold in a free society.

Money is the common denominator of all economic transactions. It is that commodity which serves as a medium of exchange, is universally acceptable to all participants in an exchange economy as payment for their goods or services, and can, therefore, be used as a standard of market value and as a store of value, i.e., as a means of saving.

The existence of such a commodity is a precondition of a division of labor economy. If men did not have some commodity of objective value which was generally acceptable as money, they would have to resort to primitive barter or be forced to live on self-sufficient farms and forgo the inestimable advantages of specialization. If men had no means to store value, i.e., to save, neither long-range planning nor exchange would be possible.

What medium of exchange will be acceptable to all participants in an economy is not determined arbitrarily. First, the medium of exchange should be durable. In a primitive society of meager wealth, wheat might be sufficiently durable to serve as a medium, since all exchanges would occur only during and immediately after the harvest, leaving no value-surplus to store. But where store-of-value considerations are important, as they are in richer, more civilized societies, the medium of exchange must be a durable commodity, usually a metal. A metal is generally chosen because it is homogeneous and divisible: every unit is the same as every other and it can be blended or formed in any quantity. Precious jewels, for example, are neither homogeneous nor divisible.

More important, the commodity chosen as a medium must be a luxury. Human desires for luxuries are unlimited and, therefore, luxury goods are always in demand and will always be acceptable. Wheat is a luxury in underfed civilizations, but not in a prosperous society. Cigarettes ordinarily would not serve as money, but they did in post-World War II Europe where they were considered a luxury. The term "luxury good" implies scarcity and high unit value. Having a high unit value, such a good is easily portable; for instance, an ounce of gold is worth a half-ton of pig iron.

In the early stages of a developing money economy, several media of exchange might be used, since a wide variety of commodities would fulfill the foregoing conditions. However, one of the commodities will gradually displace all others, by being more widely acceptable. Preferences on what to hold as a store of value, will shift to the most widely acceptable commodity, which, in turn, will make it still more acceptable. The shift is progressive until that commodity becomes the sole medium of exchange. The use of a single medium is highly advantageous for the same reasons that a money economy is superior to a barter economy: it makes exchanges possible on an incalculably wider scale.

Whether the single medium is gold, silver, sea shells, cattle, or tobacco is optional, depending on the context and development of a given economy. In fact, all have been employed, at various times, as media of exchange. Even in the present century, two major commodities, gold and silver, have been used as international media of exchange, with gold becoming the predominant one. Gold, having both artistic and functional uses and being relatively scarce, has always been considered a luxury good. It is durable, portable, homogeneous, divisible, and, therefore, has significant advantages over all other media of exchange. Since the beginning of World War I, it has been virtually the sole international standard of exchange.

If all goods and services were to be paid for in gold, large payments would be difficult to execute, and this would tend to limit the extent of a society's division of labor and specialization. Thus a logical extension of the creation of a medium of exchange, is the development of a banking system and credit instruments (bank notes and deposits) which act as a substitute for, but are convertible into, gold.

A free banking system based on gold is able to extend credit and thus to create bank notes (currency) and deposits, according to the production requirements of the economy. Individual owners of gold are induced, by payments of interest, to deposit their gold in a bank (against which they can draw checks). But since it is rarely the case that all depositors want to withdraw all their gold at the same time, banker need keep only a fraction of his total deposits in gold as reserves. This enables the banker to loan out more than the amount of his gold deposits (which means that he holds claims to gold rather

than gold as security for his deposits). But the amount of loans which he can afford to make is not arbitrary: he has to gauge it in relation to his reserves and to the status of his investments.

When banks loan money to finance productive and profitable endeavors, the loans are paid off rapidly and bank credit continues to be generally available. But when the business ventures financed by bank credit are less profitable and slow to pay off, bankers soon find that their loans outstanding are excessive relative to their gold reserves, and they begin to curtail new lending, usually by charging higher interest rates. This tends to restrict the financing of new ventures and requires the existing borrowers to improve their profitability before they can obtain credit for further expansion. Thus, under the gold standard, a free banking system stands as the protector of an economy's stability and balanced growth.

When gold is accepted as the medium of exchange by most or all nations, an unhampered free international gold standard serves to foster a world-wide division of labor and the broadest international trade. Even though the units of exchange (the dollar, the pound, the franc, etc.) differ from country to country, when all are defined in terms of gold the economies of the different countries act as one--so long as there are no restraints on trade or on the movement of capital. Credit, interest rates, and prices tend to follow similar patterns in all countries. For example, if banks in one country extend credit too liberally, interest rates in that country will tend to fall, inducing depositors to shift their gold to higher-interest paying banks in other countries. This will immediately cause a shortage of bank reserves in the "easy money" country, inducing tighter credit standards and a return to competitively higher interest rates again.

A fully free banking system and fully consistent gold standard have not as yet been achieved. But prior to World War I, the banking system in the United States (and in most of the world) was based on gold, and even though governments intervened occasionally, banking was more free than controlled. Periodically, as a result of overly rapid credit expansion, banks became loaned up to the limit of their gold reserves, interest rates rose sharply, new credit was cut off, and the economy went into a sharp, but short-lived recession. (Compared with the depressions of 1920 and 1932, the pre-World War I business declines were mild indeed.) It was limited gold reserves that stopped the unbalanced expansions of business activity, before they could develop into the post- World War I type of disaster. The readjustment periods were short and the economies quickly reestablished a sound basis to resume expansion.

But the process of cure was misdiagnosed as the disease: if shortage of bank reserves was causing a business decline- argued economic interventionists-why not find a way of supplying increased reserves to the banks so they never need be short! If banks can continue to loan money indefinitely--it was claimed--there need never be any slumps in business. And so the Federal Reserve System was organized in 1913. It consisted of twelve regional Federal Reserve banks nominally owned by private bankers, but in fact government sponsored, controlled, and supported. Credit extended by these banks is in practice (though not legally) backed by the taxing power of the federal government. Technically, we remained on the gold standard; individuals were still free to own gold, and gold continued to be used as bank reserves. But now, in addition to gold, credit extended by the Federal Reserve banks (paper reserves) could serve as legal tender to pay depositors.

When business in the United States underwent a mild contraction in 1927, the Federal Reserve created more paper reserves in the hope of forestalling any possible bank reserve shortage. More disastrous, however, was the Federal Reserve's attempt to assist Great Britain who had been losing gold to us because the Bank of England refused to allow interest rates to rise when market forces dictated (it was politically unpalatable). The reasoning of the authorities involved was as follows: if the Federal Reserve pumped excessive paper reserves into American banks, interest rates in the United States would fall to a level comparable with those in Great Britain; this would act to stop Britain's gold loss and avoid the political embarrassment of having to raise interest rates.

The "Fed" succeeded: it stopped the gold loss, but it nearly destroyed the economies of the world, in the process. The excess credit which the Fed pumped into the economy spilled over into the stock market-triggering a fantastic speculative boom. Belatedly, Federal Reserve officials attempted to sop up the excess reserves and finally succeeded in braking the boom. But it was too late: by 1929 the speculative imbalances had become so overwhelming that the attempt precipitated a sharp retrenching and a consequent demoralizing of business confidence. As a result, the American economy collapsed. Great Britain fared even worse, and rather than absorb the full consequences of her previous folly, she abandoned the gold standard completely in 1931, tearing asunder what remained of the fabric of confidence and inducing a world-wide series of bank failures. The world economies plunged into the Great Depression of the 1930's.

With a logic reminiscent of a generation earlier, statistis argued that the gold standard was largely to blame for the credit debacle which led to the Great Depression. If the gold standard had not existed,

they argued, Britain's abandonment of gold payments in 1931 would not have caused the failure of banks all over the world. (The irony was that since 1913, we had been, not on a gold standard, but on what may be termed "a mixed gold standard"; yet it is gold that took the blame.)

But the opposition to the gold standard in any form-from a growing number of welfare-state advocates-was prompted by a much subtler insight: the realization that the gold standard is incompatible with chronic deficit spending (the hallmark of the welfare state). Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. A substantial part of the confiscation is effected by taxation. But the welfare statisticians were quick to recognize that if they wished to retain political power, the amount of taxation had to be limited and they had to resort to programs of massive deficit spending, i.e., they had to borrow money, by issuing government bonds, to finance welfare expenditures on a large scale.

Under a gold standard, the amount of credit that an economy can support is determined by the economy's tangible assets, since every credit instrument is ultimately a claim on some tangible asset. But government bonds are not backed by tangible wealth, only by the government's promise to pay out of future tax revenues, and cannot easily be absorbed by the financial markets. A large volume of new government bonds can be sold to the public only at progressively higher interest rates. Thus, government deficit spending under a gold standard is severely limited.

The abandonment of the gold standard made it possible for the welfare statisticians to use the banking system as a means to an unlimited expansion of credit. They have created paper reserves in the form of government bonds which-through a complex series of steps-the banks accept in place of tangible assets and treat as if they were an actual deposit, i.e., as the equivalent of what was formerly a deposit of gold. The holder of a government bond or of a bank deposit created by paper reserves believes that he has a valid claim on a real asset. But the fact is that there are now more claims outstanding than real assets.

The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion.

In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold. If everyone decided, for example, to convert all his bank deposits to silver or copper or any other good, and thereafter declined to accept checks as payment for goods, bank deposits would lose their purchasing power and government-created bank credit would be worthless as a claim on goods. The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.

This is the shabby secret of the welfare statisticians' tirades against gold. Deficit spending is simply a scheme for the "hidden" confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statisticians' antagonism toward the gold standard.

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As reprinted from the book "Capitalism, the Unknown Ideal"
by Ayn Rand with additional articles by Alan Greenspan - 1967.



Last month in a speech before the Economic Club of New York, Alan Greenspan praised the gold standard, the first time he has unambiguously done so since joining the U.S. Federal Reserve.

"Although the gold standard could hardly be portrayed as having produced a period of price tranquility, it was the case that the price level in 1929 was not much different, on net, from what it had been in 1800," he stated. "But in the two decades following the abandonment of the gold standard in 1933, the consumer price index in the United States nearly doubled. And in the four decades after that, prices quintupled. Monetary policy, unleashed from the constraint of domestic gold convertibility, had allowed a persistent over-issuance of money."

Is Greenspan returning implicitly to his long-held strong beliefs, which he voiced explicitly before he became Fed chairman, of having the gold price guide U.S. monetary policy? If so, that would mean keeping the gold price (in terms of the dollar) stable. Under this standard, as Greenspan accurately points out, the price level in the United States stayed stable through wars and much technological and political upheaval. The implication is clear: There is no problem achieving such stability in future, even if the United States goes to war, and even if much technological and political upheavals continue.

During the six decades since the Americans left the gold standard, prices rose tenfold. This happened not because these decades were more turbulent than the preceding 13, but because of the faddish belief, rationalized by much of the economic profession, that central bankers could do a better job managing monetary policy by setting interest rates and exchange rates than by market-guided, gold-price-anchored discipline.

The fad's long life is not surprising. Central planing, based on the belief that bureaucrats know how to price wheat, physicians, nurses, and teachers better than people involved in the respective businesses, has been enduring for centuries, in spite of evidence to the contrary. The view that central banks could best manage monetary affairs by pricing interest rates and exchange rates thus fit perfectly into this bureaucratic frame of mind. Though, as Greenspan points out, the

evidence contradicts this viewpoint.

Before 1996, Greenspan often indicated that gold prices were guiding his monetary policy. Then he abandoned all reference to them -- until last month's speech. His strong statement comes like lightning out of the blue sky. With another Federal Reserve governor, Ben Bernanke, repeating part of Greenspan's comments, we get a strong signal of where the U.S. dollar is heading -- if Greenspan goes from words to actions. Before we get to the numbers, here is what Greenspan said concerning monetary policy and deflationary pressures:

"But the adverse consequences of excessive money growth for financial stability and economic performance provoked a backlash. Central banks were finally pressed to rein in over-issuance of money, even at the cost of considerable economic disruption. By 1979, the need for drastic measures had become painfully evident in the United States. The Federal Reserve under the leadership of Paul Volcker, with the support of both the Carter and Reagan administrations, dramatically slowed the growth of money. Initially, the economy fell into recession and inflation receded. However, most important, when activity staged a vigorous recovery, the progress made in reducing inflation was largely preserved. By the end of the 1980s, the inflation climate was being altered dramatically."

Greenspan also said that, in the short and medium run, the link between money and prices is unclear, which means that targeting "inflation" rates cannot have the desired effects. If Greenspan will act upon all these views -- and that's yet to be seen -- U.S. monetary policy will be radically transformed.

What can we expect, then, to happen to the U.S. dollar? To gold prices? To the euro? To the Canadian dollar?

First, let's understand that using gold prices for monetary guidance means, as Greenspan emphasizes, that companies and governments can safely get into U.S. dollar contractual agreements without worrying about its value, be it over short, medium, or very long hauls. The difference between a gold-guided policy and one guided by inflationary targets is important. Price levels are backward-looking and mismeasured.

It's not surprising, then, that although central bankers have targeted low inflation in the United States, Europe, Canada, and elsewhere, the policy did not have the desired results that most economists expected.

Exchange rates have fluctuated up and down in 50 percent ranges, violating the value of contractual agreements and making capital more expensive.

While one could mitigate the consequences by hedging with complex and expensive derivatives, derivatives do not come cheap.

What happened to lead Greenspan to abandon his opaqueness of the last few years and clearly tout the benefits of the gold standard? Here I enter the realm of speculation.

In the last decade, the world lost two of its three reserve currencies -- the yen and the Deutschmark -- leaving only the U.S. dollar. The Japanese have been mismanaging their economy and monetary policy for a dozen years and, contrary to expectations, the euro has not been anchored in the DM, but in a vague, unreliable "inflationary" target that Greenspan dismisses with good reason: As noted above, such targets did not prevent exchange rates from sharply fluctuating. Something was obviously not working. The euro's recent rise is no indication that it is about to become a reserve currency. The dollar continues to stand alone, its mismanagement over the last five years notwithstanding .

Between late 1993 and mid 1996, gold was roughly at US\$400, give or take US\$10. At the end of 1996, the severe decline in gold prices and the rise in the U.S. dollar starts, with gold hitting its lowest level on July 20, 1999, at \$252.80. Why did the U.S. dollar go up relative to almost every currency and commodity prices? The increased demand for the dollar had a number of causes, only one of which was its expanding status as reserve currency. Another cause was the growing demand for the U.S. dollar around the world with the faster-growing economies of the 1990s. Greenspan did not respond to the increased global demand; instead he brought about the disastrous currency fluctuations of the last six years.

Based on Greenspan's earlier speeches, we may then speculate on what might have caused him to pursue the erroneous policy, and what may have led to his drastic change of mind. It was in 1996 that Greenspan made his famous speech on "irrational exuberance"

at a time the Dow was in the 6,000 range. Since now, six years later, the Dow is hovering between 8,000 and 9,000 even after expectations of lowered growth rates, terror, war, and Latin American upheavals, Greenspan may have realized his mistake, thinking that the 6,000 level was too high, and that he must apply restrictive monetary policy to lower it. Also, last year, finally, Greenspan started to talk about deflation. Since Greenspan had been an ardent believer in the gold standard before becoming chairman of the Fed, he may have put together the sequence of events and recognized the errors of his ways. After all, if one looked at all these facts and sequence of events over the last six years through a "gold price" perspective, they should not have been a surprise. They were predictable.

This realization does not imply that the Fed will now buy either treasury or other government bonds (the two options that he and Bernanke raised in their speeches) with newly minted dollars until gold goes back to the US\$400 level. With war and diminished growth rates on the horizon (even with the fiscal stimulus), the global demand for the dollar is not what it was in the late 1990s. Choosing a rough, rounded average of US\$350 as a target may be a reasonable guess for a Greenspan "target" point. He might have chosen it already: He knows that the global demand for the dollar has been declining since 2001, yet the monetary base is up by roughly 8 percent over the last year. Unsurprisingly, the dollar has been in decline relative to most major currencies, sliding to a level where it should have been.

If my analysis is in the right ballpark and Greenspan from now on uses the gold price to guide his monetary policy, no further significant increase in the price of gold should be expected. If demand for the U.S. dollar continues to drop, the Fed will issue treasury bonds, and if it rises, it would buy them or other government bonds. Once the U.S. dollar becomes "as good as gold," even if informally, and with the present fiscal stimulus, capital will flow to the U.S., the euro will weaken, and so will the Canadian dollar.

Reuven Brenner, a professor at McGill University's Faculty of Management, is the author of "Force of Finance." He is a member of the Financial Post's Board of Economists.

-END-

The Automotive Industry

The Committee to Re-plan Australia

The Automotive Industry

At the moment we are witnessing the potential withdrawal of Mitsubishi from manufacture in Australia. Mitsubishi is now controlled by Daimler Chrysler and even has a German CEO in Tokyo.

They can see the writing on the wall. They were prepared to go along with Australian manufacture right up until this free trade agreement was announced. Any rescue package will come from the various Mitsubishi companies whose honour will be considered to be at stake in Australia. The American and German controllers do not give a fig for Australia. Japanese pride and face will be the only saver. The Australian government only needs to reject the free trade agreement to turn the tables, money is not a factor.

The economies of scale in the Automotive industry are all in favour of the USA, Japan and European Community. Free trade in this area will kill Mitsubishi and perhaps Ford and Toyota in Australia. GM will probably survive as a component manufacturer from their engine plant in Melbourne, but that is all.

In the USA for US\$13,500 you can get Dodge Neon. At today's conversion rate Australian A\$18,250 That is not a discount price but full tote odds in the USA. An equivalent vehicle produced in Australia will retail for around A\$19,995 discounted.

The cost of shipping built up cars has reduced dramatically over the years. For example a crew of less than 16 will handle those bulk car carriers. They can move a car from Japan or the USA or elsewhere to Australia for less than it costs to ship a Ford Falcon from Brisbane to Cairns by road.

USA automotive producers, have over the last 35 years in Australia, been satisfied to take their profit where it advantages them most. Usually that is not in Australia. One of our committee members can vouch for that. If you look at the profit performances over the last 35 years the Auto manufacturers would have made a net loss on paper submitted to the ATO. But you would have to be a wanker if you thought that those submissions were fair dinkum.

Free trade will say good night to the Automotive manufacturing Industry in Australia. You will find that we are footing the bill for around 40,000 additional unemployed Auto workers and we will be subsidizing the Auto industries in the USA to the tune of half a billion dollars a year. It seems that, Australian politicians cannot come to grips with the fact, that for every person on the dole we as tax payers, are subsidizing an overseas company supplying goods to Australia that could be made here by the wage not earned, plus 80% of that wage which would have gone back into circulation, plus the value of the dole including administrative costs.

Is that good business for Australia?

Free Trade is a Myth, when you are a country the size of Australia with a population of just 20 Million and you try to compete with a country with a population of 300

million and the economies of scale that larger population commands, you would have to be out of your mind, or, being blackmailed into thinking it is good for Australia.

Look under the bed!

Agriculture

The Committee to Re-plan Australia

AGRICULTURE

Australia is in no shape to compete with manufactured goods in any trade deal with America and we should not be talking about GATA agreements. This is another set of rules which America has helped set up for its own use. It is a deal which lets the great corporations of the world dictate to sovereign states what they have to do, what they can do and what they can not do.

Unfortunately it would appear that our Australian Politicians cant quite grasp that we as a Nation have a unique place in the world and a totally unique opportunity to set the standards that could help the developing world get out of the clutches of the great corporations, and 'The World Bank'

If we threw up a wall like the one in Palestine, around Australia, and said this is it fellows you have five years to sort yourselves out without importing or exporting anything, it would be a bit rough but we would survive. We do not need the USA or indeed anyone else to survive.

At the end of five years we could start exporting the things we are best at and almost certainly we would not need to import anything that was not of a very special nature, because in the five-year period we would have learned how to survive with what we have. Australians are unique and their inventiveness is by far the best in the world but it needs nurturing and care to reach its full potential.

Think back to the Sarich engine, developed in Western Australia. The Americans very effectively killed that one, because it did not suit them to have it survive. They built, or assigned a plant, where the engine was going to be built in the USA, but that was to give them time to tie up the concept, with agreements then throw the key away so no one could benefit. The USA corporate investment in V8 engines was much too high to dump, in favour of a great Australian Invention.

The Sarich engine is not a one off. Look under the bed!

Australia produces the finest and the purest disease free beef and lamb in the world and the USA by keeping it out, is just demonstrating how they perform. Already US corporations control almost 70% of the companies that produce food in this country, and put it on our supermarket shelves. The free trade agreement will just give them even more clout, than they already have.

Australia has past experience with the USA, invading our wheat markets and subsidizing their wheat farmers, to take our markets away. Do you think a free trade agreement, will prevent them from doing it again? If the American farmers from the wheat lands over produce, and they hold out a political demand, then the American government will cave in.

We already have Americans in Australia, in our cotton industry, and they also have USA cotton farming interests, and if it comes to where their loyalties lie, then it is with the US farmers and their subsidies – refer a recent ABC program.

We say reject any free trade agreement, which is not free, and has too many conditions, and when you have so many pages of 'we'll do this if you do that etc. etc.' then you have created loopholes whether you realize it or not, and no one can sneak through a loophole, better than an American intent on doing so.

In recent months we have the situation where an American Company comes along and – some may say smartly – registered the name UG BOOT. Ug boots have been made in Australia for 55 years, that the committee is aware of, and has supported quite a number of small family businesses, that use the sheep skins that we have in abundance. One more case, of the Americans doing what most Australians would call "The Dirty" on small business.

We are not suggesting that all Americans are crooks, far from it as individuals, but when you operate in a crooked system, some of it rubs off. It's like going to the beach, you will get sand in your shoes.

What about Orange and Lemon exports to the USA.. How many times, have they decided that there was something wrong with Australian oranges, to protect the Californian growers, and the next thing we know is we have Californian oranges, in our supermarkets, not to mention Brown Onions, and what about the potential disease damage that may come from that source.

There are many other instances where the USA can hurt Australian farmers, fruit growers, vegetable growers, chicken farmers and winemakers etc., for us to open the flood gates.

Further, with real assistance to farmers, and meat producers, not coming on stream for periods of between 4 and 18 years, we would be much better off to consider alternatives. For example we have overseas aid programs, which currently cost the country 1.5 Billion in tax payers money, and could be increased to 2 Billion quite easily, if, we put our mind to it. However; the aid should be in the form of farm produce, (food) and the cost turned back into the Rural sector, so that in helping others, we would be helping ourselves, and until the USA opens up its markets genuinely, we should sit back and watch. 2 Billion dollars spent in the Rural market by the Government, will return a further 65% to 70% directly into the economy. Far better way to go, than subsidise the US economy by paying unemployment benefits in Australia.

The committee sees no where, mention of "Balanced Trade" or is this to be all America's way? On the latest figures – rounded off, over 15% of our imports come from the USA. Only 10% of our exports go to the USA. Balanced Trade, is what Australia wants. Just be patient, the Mad Cow disease which is now rampant in the USA., will get to the stage where they cannot control it, because it is already into their Elk and Deer, it will soon be in their Buffalo as well, and they will want good disease free beef and mutton. There is nowhere else to get quality beef in the world, as long as we police our herds 100%.. See attached information.

*The United States of America, will always bow to internal political pressure, and that will over ride any agreement. Past history confirms this. **Look under the bed!***

Mad Cow Beef Recall 4 Times Larger Than Reported

38,000 Pounds Targeted In Mad Cow Case; 17,000 May Have Been Eaten

By Phuong Cat Le

Seattle Post-Intelligencer

3-3-4

The amount of meat subject to recall from the nation's first case of mad cow disease was nearly four times larger than previously reported and as much as 17,000 pounds may have been eaten, the U.S. Agriculture Department said.

The beef recall expanded to 38,000 pounds from the initial recall of 10,400 pounds issued Dec. 23, the day a Yakima County Holstein was diagnosed with bovine spongiform encephalopathy, or BSE.

Steve Cohen, spokesman with the USDA's Food Safety and Inspection Service, said yesterday that at the time, authorities were more focused on identifying and contacting outlets that may have received the affected beef than in updating the amount of beef recalled.

"The total amount was actually less important than identifying the number of stores and other facilities that received the product simply because the speed with which the recall was conducted was the most important," Cohen said.

The government did not publicize the new recall figure until Feb. 9, when it posted the information on its Web site. And the government never released a list of stores that received potentially contaminated beef, angering consumer advocates who said the USDA should make that list public.

Cohen said authorities were able to retrieve and destroy about 21,000 pounds of recalled meat, while the rest, about 17,000 pounds, may have been consumed or thrown out by consumers.

Federal authorities have also retrieved nearly 4 million pounds of meat and bone meal -- including tissues and other animal parts -- that were sent to two Washington rendering facilities to be made into poultry feed or industrial tallow.

The final batch of that product was buried in state landfills yesterday, said

Charles Breen, Seattle district director for the Food and Drug Administration.

Government authorities have said repeatedly that the beef recall was issued out of an "abundance of caution" and that the meat posed relatively low risk to human health.

Humans can develop a similar brain-wasting illness, variant Creutzfeldt-Jakob disease, from consuming infected beef products.

The Dec. 23 recall was set at 10,400 pounds, which included meat from the infected Holstein and 19 other cows that were slaughtered Dec. 9 at Vern's Moses Lake Meats.

Vern's shipped the beef to Midway Meats, a deboning processor in Centralia, which then sent it to two meat processors in Oregon, Willamette Valley Meat Co. and Interstate Meat Distributors.

Cohen said the affected beef from Vern's was mixed with other meat to create 38,000 pounds of mostly hamburger. It was then shipped to wholesalers and retailers in Washington, Oregon, California, Idaho, Montana and Nevada. More than 575 businesses handled the meat, he said.

Cohen said the government does not usually reimburse companies for recalls. But in this case, he said, it would provide some compensation for the cost of destroying the beef, although he declined to say how much.

The total amount also included about 3,000 pounds of soup bones that were distributed to restaurants in California, which authorities say were sold or used before the Dec. 23 recall.

The USDA relies on companies to voluntarily recall products and inform customers.

Citing proprietary information, the agency never released a list of stores that received the suspect beef.

Federal authorities didn't even share that information with Washington state health officials, said Tim Church, spokesman with the state Health Department.

The USDA will share such detailed information only with states that have signed a "memorandum of understanding," and Washington has not, Church said.

The agreement allows the USDA to tell states which stores, restaurants and markets receive recalled products but forbids them from passing along the information to consumers.

"If we can't share (the information), there's no value," Church said.

Karen Portman, who lives on Mercer Island, said she found out about the recall from the media.

She bought ground beef from a QFC store several days before the recall and made stuffed green peppers.

When she heard about the recall, she got QFC store officials to track down whether she bought recalled beef. She had not.

Still, she supports publicizing a list of stores and added, "They should make it well-known so people are fully aware."

- P-I reporter Phuong Cat Le can be reached at 206-448-8390 or phuongle@seattlepi.com

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http://seattlepi.nwsourc.com/local/162981_madcow03.html

Agriculture Department's Actions Reveal Best Thinking Of Soviet Central Planning

By Jonathan Turley

FortWayne.com

4-25-4

Creekstone Farms is a little slaughterhouse in Kansas with an idea that would have had Adam Smith's mouth watering. Faced with consumers who remain skittish over mad cow disease ñ especially in Japan ñ Creekstone decided that all its beef would be tested for mad cow, a radical departure from the random testing done by other companies. It was a case study in free-market meatpacking entrepreneurship. That is, until the Bush administration's Department of Agriculture blocked the enterprise, apparently at the behest of Creekstone's competitors.

According to The Washington Post, Creekstone invested \$500,000 to build the first mad cow testing lab in a U.S. slaughterhouse and hired chemists and biologists to staff the operation. The only thing it needed was testing kits. That's where the company ran into trouble. By law, the Department of Agriculture controls the sale of the kits, and it refused to sell Creekstone enough to test all of its cows. The USDA said that allowing even a small meatpacking company to test every cow it slaughtered would undermine the agency's official position that random testing was scientifically adequate to assure safety.

What it didn't say was that the rest of the meatpacking industry was adamantly opposed to such testing, which is expensive, and had no desire to compete with Creekstone's fully certified beef.

The Agriculture Department's Creekstone decision reveals the best thinking of Soviet central planning: The government shoots the innovator to preserve market stability. Though President Bush invokes free-market principles when it comes to industry downsizing, outsourcing jobs, media mergers and energy deregulation, those principles apparently have their limits when a company seeks to become an industry leader in consumer protection.

Creekstone is a model operation in an industry that often seems medieval. Its high-quality Black Angus beef was developed to reduce the use of animals that have been given antibiotics. It pays high wages, employs humane slaughtering techniques and maintains a slow enough production line to guarantee worker safety and to ensure that animals are dead before they are butchered. Although the largest U.S. meatpacking companies have fought regulations that would force such practices, Creekstone ñ which has been in business since 1995 ñ has proved that some consumers will pay more for such policies and the premium product that results.

The appearance of mad cow disease in the U.S. herd hit Creekstone's small operation hard. Much of its market was in Japan, where all cows are tested and where U.S. beef is banned because American meatpackers don't follow the same policy. So Creekstone's chief operating officer, Bill Fielding, announced he would voluntarily test the 300,000 cows his company slaughters annually. Absent the test, Fielding says Creekstone may face bankruptcy and have to lay off its 790 workers.

The Department of Agriculture seems to have only one purpose in preventing Creekstone from testing ñ appeasing the big slaughterhouses. The USDA has a long history of doing the bidding of the meatpacking industry at the expense of the public. Indeed, in many academic studies, the department is presented as a textbook example of the problem of "agency capture," wherein an agency becomes so identified with the companies it regulates that it becomes an extension of those companies. The

allegations of agency capture have been magnified in the Bush administration, in which former industry executives hold key regulatory positions.

When mad cow disease appeared in the United States, the department again took the industry line and resisted calls for added testing. Only after worldwide criticism did it reluctantly make such modest rule changes as requiring slaughterhouses to discard "downed" animals ñ cows so sick that they had to be dragged into slaughterhouses to be butchered. Most Americans were surprised to learn that the department had ever allowed such animals into the food supply in the first place.

The administration may be correct that testing every animal in the United States is unnecessary and not cost-effective. But why not let Creekstone find out what the market will bear? The position of the administration is an affront to anyone who believes in the free market. It's as if the Department of Transportation refused to allow Volvo to add air bags just to keep the pressure off other carmakers.

- Jonathan Turley is a law professor at George Washington Law School. He wrote this for the Los Angeles Times.

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<http://www.fortwayne.com/mld/journalgazette/news/editorial/8517237.htm>

Economics

The Committee to Re-plan Australia

“The Australian Tariff. An Economic Enquiry” .

Known as the Brigden Report. It was discussed in the Quarterly Journal of Economics which is a Harvard publication in 1931 and again in 1938 when Marion Crawford Samuelson defended the general line of the Australian trade theory.

The Committee to Re-plan Australia, would recommend members of the Free Trade enquiry committee, take time to make a study of this brilliant piece of Australian economic review. What it contains is just as relevant today, as it was in 1929. Not everyone agreed with its findings, but many years later, it was to be recognized as a masterpiece, not in Australia, but in the USA, in fact, in the February 1983 issue of the Harvard Quarterly Journal of Economics, the presentation was examined again, and commended for its development of Trade Theory.

Nothing has changed, and the relativity between the USA and Australia as economic identities, is as it was then. You can conclude from this, that there needs to be a very close look at the effects of unrestricted entry of goods, from the USA..

The actions of the Whitlam government, did enormous damage to Australian employment, even though, it was not immediately evident at the time. We had the situation where Mr. Keating, when he was treasurer, blamed the Fraser government on the woes of the country, and in a way he was probably right, because Fraser having been given the baton, failed to run with it. It is ironic however that when Keating was re elected in March 1993, he was still blaming Fraser for the woes of this country.

Keating, and many others would have been very much better equipped to serve this country, had they taken time out to read and study “The Australian Tariff. An Economic Enquiry”, which was authored by J. B. Brigden, D. B. Copeland, E. C. Dyason, I. F. Giblen and C. H. Wickens. and published by Melbourne University Press. 1929. Not since, has an economic study been put together of this quality.

Look under the bed!

FREE TRADE –AS IT SHOULD BE

A deal, which needs over a thousand pages to set out the rules, and some 29 attachments, is NOT A FREE TRADE DEAL. Free balanced trade is when one country says to the other, if you take 20 Billion Dollars worth of goods from us, we will take 20 Billion Dollars worth from you, we will offer you the goods we can best provide and we will in return select from your available goods what we need most.

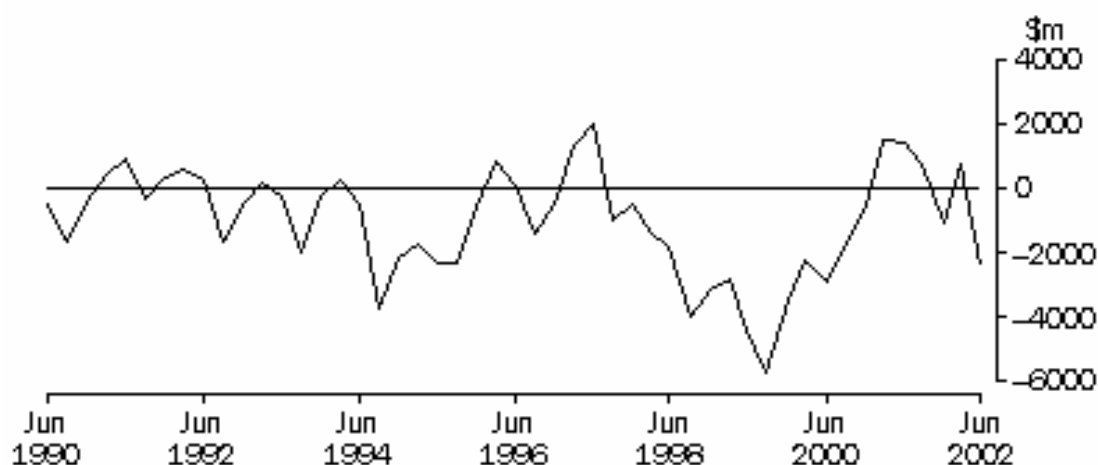
If the USA takes 20 Billion Dollars worth of Australian Products including Beef, Lam, Pork, Oranges, Apples, Holden Coupe cars and Mitsubishi cars and the rest, then we will be getting close to the mark.

What we do with Telstra is no business of the USA., any more than we should interfere, with the Federal Reserve System of banking, or tell them that the Committee on Foreign Relations, has too much influence on what goes on in America, or that we think that the problems in the Middle East, are largely the result of the Congress and the Senate, bowing to Israeli financial pressure, or that the USA giving Israel an average of 3.5 Billion US\$ a year, to help them fight the Palestinians is wrong.

We, should not tell them that we think they are mugs, to fall for the fact that Israel, re invests the aid they get, directly and indirectly, around 50 million dollars of aid money a year, for campaign funds, for Senate and Congress members, so they vote in favour of the policies, that best suit Israel. Or that we believe, that their electoral system is very badly flawed, to the point where the USA is not a real democracy, where money is needed in large amounts, to get into office. And so it goes on..

An honest deal, does not need all the paper that is laid out. US politicians will ALWAYS change things for votes, and to require that we cannot get access for 18 years, to some segments of their market, is an outrage not to be accepted.

BALANCE ON GOODS AND SERVICES AT CURRENT PRICES: ORIGINAL



Source: Balance of Payments and International Investment Position, Australia (5302 0), Quarterly data.

Since the 80's and as you can see from this chart, from 1990, the balance of trade has been all in favor of the importers. A free trade agreement, with the USA., will only

make the situation worse than it is. Our Committee, would be much happier, if some real restrictions were applied, rather than removed. A balanced trade deal all round, would be much better for Australia. We managed to balance our trade in the 60's, and 70's, and, we should be right into balancing trade as we suggest. Australia has the potential, to have a favorable balance of trade, and that is what the government of the day, should always pursue.

Always look under the bed!

Finally

The Committee to Re-plan Australia

Don't Smother Australia



Avery prominent American in his farewell address to the American Nation had some words of wisdom to offer his country; words that we in Australia could heed and apply for the sake of our nations future; those words are here.

"A passionate attachment of one nation for another produces a variety of evils. Sympathy for the favorite nation, facilitating the illusion of an imaginary common interest in cases where no real common interest exists, and infusing into one nation the enmities of the other, betrays the former into a participation in the quarrels and wars of the latter without justification. It leads also to concessions to the favorite nation of privileges denied to others which is apt doubly to injure the nation making the concessions; by unnecessarily parting with what ought to have been retained, and by exciting jealousy, ill-will, and a disposition to retaliate, in the parties from whom equal privileges are withheld. And it gives to ambitious, corrupted, or deluded citizens who devote themselves to the favorite nation), facility to betray or sacrifice the interests of their own country, "
George Washington.

Farewell Address

Members of the Jury
Why Did We Have a Depression in 1929 – 1936?
and
One MILLION Unemployed in the Early 90's?
and
Overseas Debts We Can't Jump Over?

*Members of the Jury the case you are about to consider is between the
People of Australia
and the
Federal Government and The Banks.*

The Federal Government is charged with total negligence and with working with The Private Banks of Australia in subverting the real intent of the Australian Constitution. The Governments sole defense is that it was the US Stock Exchange melt down in 1929 that caused the great depression, - and in 1991 economic problems had worsened. With unemployment as high as in the Depression 60 years earlier (1929), Australia was in recession. Keating argued the recession was itself an economic lever that would correct problematic trends – it was;

‘the recession we had to have’

How bloody ridiculous, a comment from the pay clerk, who would not know what had happened, nor would he have any idea of how to fix the problem. The present government is in the same hole, which is dug deeper and deeper every year, and by every government, regardless of color.

Members of the Jury. So that you may evaluate the evidence to be put before you it is imperative that you understand, the relevant parts of the Australian Constitution, that should concern us as a nation.

Section 51. The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to: -

xii.) Currency, coinage, and legal tender:

(xiii.) Banking, other than State banking; also State banking extending beyond the limits of the State concerned, the incorporation of banks, and the issue of paper money:

(xiv.) Insurance, other than State insurance; also State insurance extending beyond the limits of the State concerned:

(xv.) Weights and measures:

Members of the Jury. It is crystal clear, that our founding fathers wanted “The Commonwealth of Australia” to be free of any outside influence, in the matters described in Section 52 and (xii.) (xiii.) and (xiv.) in particular.

The Commonwealth Bank was founded in June 1912 and commenced business on January 1st 1913. We should note for reference that this was before The USA made the dreadful mistake of handing over the right to create money to **“The Federal Reserve Bank of America”** which is a privately owned corporation and has been responsible for keeping control of the money in the hands of a very few, very wealthy citizens of that country and others, and for creating a debt of thousands of trillions of dollars for the USA.

The first Governor of The Commonwealth Bank was Mr. Dennison Miller who had been an official with the Bank of NSW. Mr. Miller was later to be Sir Dennison Miller.

It is important for you to keep this name in mind. His evidence is vital to understanding this case.

Note:- The Commonwealth Bank of Australia financed the First World War to a sum of over 700,000,000 Australian Pounds DEBT FREE

The people of Australia were never taxed to pay for that war.

During an interview in 1921 Sir Dennison Miller was asked if he had financed the war to the tune of 700 million debt free and his reply is very important:-

“Such was the case and I could have financed the country for a further like sum had the war continued.”

Asked if that amount of money was available in this time of peace

He answered “YES” Later in the same year he said on 7th July

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

It is important for members of the Jury to understand the following basic truths:-

- If there is work to be done
- If the labour is available to do the work
- If the materials are available to do the work
- If the money is available to do the work

Then the work can be done. If any of those points is missing then the work cannot be done. SIMPLE.

So what happened and why did we in Australia find ourselves in the grip of the greatest tragedy for the working men in Australia – the Great Depression of 1929. Sure the markets in America collapsed as they did in the UK, but go back to what Sir Dennison Miller had to say.

The very same funds that were available to fight a WAR were available in times of peace for productive purposes so, what went wrong?

Before we reveal what went wrong and why the Federal Government of Australia let this country fall into terrible times, we would like to present some other information.

Mr. Graham Towers Governor of the Central Bank of Canada (Similar to Commonwealth Bank or today's RBoFA in the 1939 session of the Parliamentary Committee on Banking, said in reply to questions

Q Will you tell me why a government with the power to create money should give that power away to a private monopoly and then borrow that which the parliament can create itself, back at interest, to the point of National Bankruptcy?

Mr. Towers "If the parliament wants to change the form of operating the banking system, then certainly that is within the power of the parliament.

Q .would you admit that anything that is physically possible and desirable can be made financially possible?

Mr. Towers "Certainly"

Q. "So far as war is concerned, to defend the integrity of the nation, there will be no difficulty in raising the means of financing whatever those requirements may be?"

Mr. Towers The limit of the possibilities depends on men and materials.

Q. "And where you have an abundance of men and materials you have no difficulty in putting forth the medium of exchange that is necessary to put the men and materials to work in defense of the nation?"

Mr. Towers "That is right".

Q. Well then why is it, where we have a problem of internal deterioration , that we cannot use the same technique? In any event you will agree with me on this, that so long as the investment of public funds is confined to something that improves the economic life of the nation, that will not of its-self produce inflationary conditions?

Mr. Towers "Yes I agree with that".

One more piece of important information.

In 1955 The New Zealand Royal Commission into Banking Mr. H. W. White Chairman of the Associated Banks of New Zealand said this under oath:-

"Banks create credit when making loans and advances, and they have been doing this for a very long time, but they did not quite realise it, and they did not admit to it. Very few did. You will find it in all sorts of documents- financial textbooks, etc.. But in the intervening years, and we must be perfectly frank about these things, there has been a development of thought. Today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit. I have told you that they do. Mr. Ashwin sec to the Treasury has told you that they do. Mr. Fussell Governor of The Reserve Bank of New Zealand has told you that they do! But twenty, forty, fifty years ago you would not have found many people who would have said that. They did not quite appreciate that they did that.

More:-

In 1938 a UK Bankers Journal "Branch Banking" stated:_

There is no more unprofitable subject under the sun to argue any banking or credit points, since there are enough substantial quotations in existence to prove to the initiated that banks do create credit without restriction.

More:-

Pears Cyclopedia 91st Edition 1982

Page G26 under the heading "Controlling the Commercial Banks" **The banks create CREDIT**

Members of the Jury, there is little doubt that our politicians do not understand what is going on! They are ignorant of the facts. One thing that concerns me is that out of the 1,500 listed companies on the Australian Stock Exchange, a couple of years ago, 9 of them make 60% of the total profits between them – they all have one thing in common – they are BANKS!

It is quite evident from Senator Walsh's answers to Senator Coultard on December 12th 1988 and recorded in Hansard that he and members of his Party did not understand the basics of the banking world as we have allowed it to flourish. If the polities do not understand, where do we go from here except to have this court make judgments.

Banking as it stands is a license to make money out of thin air. There are many other sources that can be quoted as evidence that Banks have a free hand to make money and under the false practice of deficit government accounting we end up owing our own money to a group of shareholders who are robbing us blind.

In the final analysis we end up paying Taxes to pay back money, and interest which, was ours as Australian Citizens in the first place – how stupid can it get?

Once again where did we go wrong?

Members of the Jury It would appear that our story started on 15th April 1883. One Stanley Melbourne Bruce was born on that day to John and Mary Bruce in Toorak Victoria.

Young Bruce went on to be educated at Melbourne Grammar School where he was a fair scholar he also captained the Cricket and school rowing teams.

At age 20 he went to Cambridge to study Law and do some rowing. He graduated in 1906 and practiced Law in London. In 1913 he married Ethel Anderson, they never had any children. Bruce was at age 23 Chairman of the London Board of PLB. At the commencement of WW1 he bought a commission and enlisted in the British Army with the rank of Captain – If you had a degree and a bit of cash, you could get into the British Army as an officer without experience.

History in Australian, and other archives, differ with regards to his service record. In one record it says he fought at Gallipoli in 1915, and in another in France. We think the latter more correct, since he won the Military Cross and the Croix de Guerre. Wounded in 1915 he was invalided out of the army and he returned to Australia in 1917 to manage the PLB establishment. (Patterson Lang & Bruce)

Without any political experience he was asked to stand for the safe seat of Flinders as a National Party Candidate and won the seat in May 1918. Three years later he was appointed Treasurer at age 36. ...

Members of the Jury Bruce's appointment as treasurer was an interesting one. He had in his years in England become accustomed to the UK system of a privately owned central Bank (Bank of England), and was now familiar with the privately owned Federal Reserve Bank of America. This was to Bruce the way to go.

The Australian Constitution prevented the Commonwealth Bank being privatized so in 1924 when he was Prime Minister (the youngest ever, apart from 1) he was persuaded that the next best thing was to hand over the control of the Commonwealth Bank to a Board of Governors sympathetic to Bankers.

Legislation was introduced to ensure that the private Banks would be able to get funds for lending guaranteed from The Commonwealth Bank at favorable rates. However; The banks very quickly learned that they could just create as much money as they wanted without reference – in any case they controlled the Commonwealth Bank .

Additionally the Bruce-Page coalition adopted the 'Men, Money, Markets' policy for economic development within an Imperial framework, which meant obtaining labour and capital from the UK for expanding Australian industry.

This 'Men, Money, Markets' policy for economic development within an Imperial framework, which meant obtaining labour and capital from the UK for expanding Australian industry was not compatible with the right to create money lying with the Federal Government.

The system had to be changed carefully lest there be an outcry from the population at large. This was done by giving control of the Commonwealth Bank over to a Board of Governors sympathetic to Bankers

The end result of the 'Men, Money, Markets' program was Mounting industrial conflict from 1927 to 1929, often violent. Major strikes by sugar mill workers, dockers, transport workers, timber industry workers and coal miners. Lock-out of miners in New South Wales in 1929, followed by the use of non-union labour under heavy police protection at Rothbury which led to the death of two miners when shot by police.

Bruce found himself Prime Minister at the age of 40. Bruce's appointment marked an important turning point in Australian political history. He was the first Prime Minister who had not been involved in the movement for Federation, had not been a member of a colonial Parliament, and had not been a member of the 1901 Federal Parliament. With his aristocratic manners and dress - he drove a Rolls Royce and wore white spats - he was the first genuinely "Tory" Australian Prime Minister. And it is that "TORY" understanding of finance that led to Australia's financial problems.

An observation on the man London Evening News 1923.

Mr. SM Bruce is spruce and active. He finds long hours of work irksome and longs for relaxation after prolonged labours. He happens also to be a good dancer. Members of the Jury you can perhaps understand something of the problem, however this was not the end of things. A total lack of understanding of and application of our constitution by the majority of politicians has let the matter drift out of control ever since.

*In 1924 / 1926 during the debates on finance and again in 1930 The hon. John Evans MP and later The Hon. M.D. Cowan MP had the following read into Hansard:-
From The United States Bankers Association magazine of August 1924.*

Capital must protect itself in every possible way, both by combination and legislation. Debts must be collected, mortgages foreclosed as rapidly as possible.

When through process of law the common people loose their homes, they will become more docile and more easily governed through the strong arm of government applied by a central power of wealth under leading financiers. These truths are well known among our principle men who are now engaged in forming an imperialism to govern the world.

By dividing the voter through the political party system we can get them to expend their energies in fighting for questions of no importance. It is thus by discrete action we can secure for ourselves that which has been so well planned and so successfully accomplished.

Bruce lost his seat in 1929 then in 1931 he won his seat back and became a minister without portfolio in the government of Joseph Lyons. But Lyons wanted Bruce out of politics and in 1933 he was dispatched to London as High Commissioner. He held this post with distinction for 12 years, representing Australia's interests in London during World War II. He was appointed a member of the Imperial War Cabinet and the Pacific War Cabinet. In 1947 he was created Viscount Bruce of Melbourne and Westminster.

This confirming his loyalty to the British System of finance. It must be noted that the Labour Government Nationalised the Bank of England in 1947 but it appointed a governing group of private bankers to control it and ended up with the same circumstances that exist in Australia today.

Members of the Jury, This is not the end of the story.

In December 1983 the government of the day, made an historic economic change with the decision to float the Australian dollar, rather than have its value tied to Gold, or another currency, or fixed by government regulation. The change was supported by shadow Treasurer John Howard. But the Leader of the Opposition Andrew Peacock, the National Party, and some of Keating's Labor colleagues, opposed the float.

It was also against the advice of John Stone, and indicated Keating's increasing confidence in his portfolio and his drawing advice from other senior Treasury officials like Bernie Fraser, in fact he had become a pot trained polly.

The currency float was part of a broad financial deregulation program introduced by the Hawke government and guided by Treasurer Paul Keating. It included licensing foreign banks to operate in Australia, and removing direct controls on interest rates and other restrictions that the government mistakenly believed created competitive disadvantage for Australian companies.

Critics pointed to the danger of speculation and of the vulnerability of a globalised economy to market crises. This was demonstrated after the New York stock market slump in October 1987. The very public collapse of some high-profile corporate entrepreneurs in Australia, also indicated the inadequacy of Australia's company laws.

Labor had lost much of its majority at the 1984 election, but at the election in July 1987, the Labor government improved its position in the House of Representatives. It continued the deregulation program, abolishing Australia's two-airline policy and extending general tariff reductions. With a record third term achieved, Bob and Hazel

Hawke were looking at the possibility of securing the rare prime ministerial luxury – choosing their own time to leave office. Paul and Annita Keating were at Kirribilli House on 25 November 1988, when Hawke and Keating talked over the idea of Keating succeeding Hawke after the next election. Their mutual friend Jewish businessman Sir Peter Abeles, and Australian Council of Trade Unions head Bill Kelty were also present.

Members of the Jury, all of the foregoing blatantly handed over the destiny of the Nation to foreign and influential business people with scant regard for the welfare of the nation. Questions must be asked about who was benefiting from all of those moves, certainly not the majority of Australians.

By 1991 economic problems had worsened. With unemployment as high as in the Depression 60 years earlier, over a million out of work, Australia was in recession. Keating argued the recession was itself an economic lever that would correct problematic trends

‘the recession we had to have’.

While the Constitution gives the right to the Government to make rules with regard to Banking and other financial matters we are sure it was not intended that a pay clerk, with nothing but Trade Union experience, should be making those decisions with regards to de regulation and privatization.

The answer was there in the words of Sir Dennison Miller.

Members of the Jury As Sir Dennison Miller said ***“whatever the Australian people can intelligently conceive in their minds and will loyally support, that can be done”.***

In other words.

There was no need for the Great Depression in 1929 or again 1989. The Keating government borrowed 6 Billion Dollars for a retraining program that was going to save the situation, it did not, we however are still paying for that through our taxes. Ladies and Gentlemen of the Jury I would like to make some other observations that have the backing of the High Court of Australia :-

In the Bank Nationalization case in 1948 reference was made to State Banking. If you refer back to section 52 Xiii the wording specifically notes “with the exception of State Banking”.

The States were given the right in the Constitution to have their own State Parliamentary Banks, with the same rights to create the required currency to cater for their own needs, quite apart from the Federal Powers. This was taken away from them, and now we observe the annual “Farce” in Canberra.

Members of the Jury, the High Court ruling states quite clearly in the 1948 Nationalization case [76 CLR.pp 337-338] ***“It is open to the States, at all events in contemplation of law, under the exemption of State Banking, to provide for their own needs”***

We have the incredible situation that in most States we hear cries of not enough Hospital beds, not enough money for schools etc. etc.. This is traceable back to Bruce and the Financial Agreement Act 1928 provided for Commonwealth assured liability for State government debts and setting up the Australian Loan Council. Also, The Financial Agreement Validation Act 1929 gave effect to a 1927 agreement between the Commonwealth and the States on payment to States.

Even more evidence is available: There was a Royal Commission into the Banking and Monetary systems in Australia and a section of 504 of the Commissions report said : **“Because of this power, to, the Commonwealth Bank can lend to the government and to others in a variety of ways, and it can even make money available to governments and to others free of any charge.”**

In a statement interpreting this section the Secretary of the Commission, Mr. W. T. Harris said:-

“The statement in the paragraph mentioned (504) is to the effect that as a matter of power, The Commonwealth Bank can make monies available to Governments or to others on such terms as it chooses, even by way of a loan without interest, or even without requiring either interest or repayment of principal”

Members of the Jury the aforementioned provision in the Constitution with regards to State Financial arrangements and their right to have their own Parliamentary Bank to create the funds needed to run the States, makes a complete mockery out of the reasons given for a GST tax.

Members of the Jury you are charged with making a unanimous decision, in favour of the people of Australia, after carefully studying the facts and that you find that;

1. Prime Minister Bruce was guilty of making decisions that led to the destruction of the Banking System as planned and set out in the constitution (The buck stops here) and that led to the years of misery suffered needlessly by millions of Australians and in particular those who had gone to war for freedom, and the families of those who never returned.
2. That successive Australian governments, regardless of color, are also jointly responsible, for having continued to ignore the situation, that has favored the Banks and enabled them to make incredible profits, from creating credit.
3. That you find the Banks guilty of illegally exploiting the system that they knew to be wrong and illegal. That they are also guilty of having over the years confiscated homes and businesses by withdrawing support for their clients when they were in fact financing them illegally.
4. That you demand that the government immediately revert to the system that existed prior to 1924 when the Commonwealth Bank – Now The Reserve Bank of Australia – controlled the creation of money and coinage. That they immediately remove the present Board of Governors and replace them with non business persons that represent the population as a whole, and who are drawn from a range of professions and trades. They should include a political representation.
5. That Australia immediately move to a Gold Standard set at A\$600 to the oz.

and that The R.B.A. purchase all the gold mined in Australia at A\$600 less 10% and this be maintained in Australia to support the currency.

- 6. That the Banks revert to being "Agents" of the Reserve Bank and that consideration be given to having recognized credit unions with similar status.*
- 7. That a new National Super-annuation Fund under the control of the R.B.A. and that this fund will cover all Australians including politicians, civil servants State and Federal*
- 8. That all States be charged with establishing their own Parliamentary Banks in accordance with the constitution.*
- 9. That taxation laws be completely revised to reflect the new situation.*

This will be the first step toward making Australia first the envy of all other nations and then an example to other Nations of how things can be done.

Thank you.