

# Economic Rationalism: The New Name For Schachtian Economics

We demonstrate in the feature in this *New Citizen*, "The Pro-Hitler, Fascist Roots of the Liberal Party", that the policies of economic rationalism and globalisation pushed by the Australian Mont Pelerin Society think tanks today are identical with the economic policies pushed by the fascist militias and their "citizen league" fronts in the Depression crisis of the 1930s. The prototypical representative of fascism back then was Hitler's finance minister and central banker, Hjalmar Schacht. Schacht's first allegiance was to the Synarchy, and therefore to Hitler, who had been put in power by the Synarchist bankers, including Schacht himself. Bespeaking Schacht's true allegiances, long-time Bank of England head Montagu Norman was the godfather of one of Schacht's children, and flew from England to Nazi Germany for the occasion. Schacht was tried at Nuremberg as a chief architect, indeed perhaps the principal architect, of the Hitler regime. That regime's concentration camps (Auschwitz, Buchenwald, etc.) were actually *work camps*. Once

people were too weak to work, having been fed 800 calories or less a day, they were killed as "useless eaters", a policy which came to be known as "Schachtian economics". The first phases of this process have been underway for some time in Australia already, for instance, as in the rationing of health care, which is resulting in needless deaths and misery, all so the Liberal and Labor governments can pay debt to the bankers.

One of the leading banking firms whose name surfaced repeatedly in the Australian pro-fascist events of the 1930s and postwar period was that of Lazard Freres. As we indicate below, Lazard was critical in orchestrating the Synarchist/fascist regimes in Europe in the 1930s, and that pro-fascist tradition is carried on by Lazard today, in particular by the head of the firm's powerful New York branch, Felix Rohatyn. Rohatyn and his friends are now engaged in a deadly struggle with U.S. 2004 Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr., over the direction the world shall take: either that of Schacht and Hitler, or the New Bret-



Schacht (left) and his boss, Montagu Norman, Governor of the Bank of England.



Adolf Hitler, and, right, Hjalmar Schacht, circa 1934. Schacht helped bring Hitler to power and was the architect of his economic policies, including the slave-labour concentration camps.

ton Woods of sovereign, national-banking centred nation states for which LaRouche has long campaigned. In particular, Rohatyn and his Synarchist cronies are terrified that LaRouche, throughout the rest of the U.S. primary season ending with the Democratic Party convention in July, 2004 in Boston, may come to wield increasing policy influence over the present Democratic Party Presidential frontrunner, John Kerry.

## Who Was Schacht, and What Is Schachtianism?

by Michael Liebig

With a world economy in the throes of a deep systemic crisis, Democratic Presidential candidate Lyndon LaRouche has stressed that only two fundamental alternative policies exist: reorganise the international financial system along the lines of his proposal for a New Bretton Woods conference, in the tradition of Franklin Delano Roosevelt's actions against the Depression and the effects of war; or adopt the policies of Hjalmar Schacht, Germany's central banker in the 1920s and Hitler's Economics Minister in the 1930s—policies that today are represented, typically, by American banker Felix Rohatyn. How might one best characterise what are known as Schachtian policies?

A Schachtian first insists that the population, not the banks, must pay the costs of the crisis. Today, that means the material living standard of most of the world's population must be sharply cut, so as to use available means to feed the inflated paper holdings of private financial interests.

This becomes all the more pressing when the contradictory forces of grossly inflated paper holdings, on the one hand, and the real economy on the other, lead to outright crisis. That is what transpired in Germany from the hyperinflationary period of 1923, to the world economic crisis of 1929-33, and that is precisely what we see today, although in an order of magnitude far greater.

### Schacht and Montagu Norman

While Reichsbank chairman in the 1920s and 1930s, Hjalmar Schacht reported that almost every morning he would speak on the telephone with the Bank of England's Governor, Sir Montagu Norman (1871-1950), to take his instructions. Under so-called normal conditions, Schacht might not have taken on much importance. But under conditions of a grossly hyperinflated financial bubble, and collapsed real production, he came to the forefront of world politics at a time when the political, economic, and financial situation had reached a critical stage. Un-

der those circumstances, Schacht, the prototypical Synarchist, was emphatic: Let the financiers do as they will! Let us remove at any cost the obstacles thrown up by a democratic republic which remains somehow tied to the common welfare.

On March 7, 1930, six brief months after the stock market collapse of October 1929, Schacht resigned as Reichsbank chairman because, he said, the Weimar Republic's political system would not allow him to properly discharge his responsibilities. In September 1930, Schacht travelled to England and the United States, and discussed the German crisis with Anglo-American financiers for weeks on end. Immediately upon his return in December, Schacht met with Hermann Goering. Goering was to become, after 1933, Minister of Interior, Commander in Chief of Police and Gestapo, and Commissioner for Aviation. On January 5, 1931, Schacht dined with Goering, Hitler and Fritz Thyssen.

### Austerity, Not Development

Schacht called himself "a non-party political economist," which was indeed the case—his true loyalties were always to the financial oligarchy, the Synarchists. The latter had come to the conclusion that even Heinrich Brüning's austerity policy, rammed through with Emergency Decrees, would not suffice. Schacht had nothing against Chancellor Brüning's policy of slashing wages and public expenditure, as that was what he himself intended. But he thought it not enough. The Weimar Republic's constitution itself made it impossible to destroy living standards to the degree demanded by the financiers.

In a notorious speech at Bad Harzburg on October 11, 1931, Schacht spelled out the endless catalogue of financial demands on Germany: "foreign debts, that cannot be paid on time"; "illiquidity of our financial institutions and the State"; "public finances, such that even the Finance Minister cannot say how we shall get through the coming months." So

Germany must set aside "the misconceived basis on which the system has rested to date." Never did Schacht consider a moratorium on Germany's crushing domestic and foreign debt. To the contrary! He knew the peril the financial oligarchs would have to face, were the Weimar Republic to last: a freeze on debt repayment, and a program to relaunch the physical economy by the issuance of state credit.

Schacht had been designated to head off that option, which was the "Lautenbach Plan" of economist Wilhelm Lautenbach. When, in December 1932-January 1933, the government of Chancellor Kurt von Schleicher announced that it would adopt the Lautenbach Plan, Schacht got Kurt von Schroeder's Anglo-American-linked bank to inject several million reichsmarks into the Nazi Party, thus saving it from bankruptcy. Chancellor von Hindenburg was blackmailed into dismissing von Schleicher and appointing Hitler as Chancellor. On March 17, 1933, Schacht stepped back into his role as chairman of the Reichsbank.

## LAROUCHE'S 30-YEAR ADVERSARY

# Felix 'The Fixer' Rohatyn Is The Modern-Day Hjalmar Schacht

by L. Wolfe

In the dark days of the 1974-75 New York City fiscal crisis, the world financial system, as it does today, stood teetering on the edge of a total collapse. In the three years since George Shultz and Arthur Burns had pushed a reluctant Richard Nixon to pull the plug on the Bretton Woods monetary system, there had been an orgy of speculative looting by Synarchist bankers that had accelerated the process of collapse. These same bankers had looted New York to the point where it simply couldn't pay, and the banks were themselves so bankrupt that they could not roll over the billions in outstanding obligations. If the city defaulted on its more than \$14 billion in debt—a sum then only ex-

ceeded by the debt of the U.S. Treasury—it would push the whole financial system over the edge.

To make matters worse for the bankers, there was growing political movement for debt moratoria, for New York City and for desperate developing-sector nations like Brazil. This movement was led, both in New York and internationally, by Lyndon LaRouche. This challenge to the bankers' power could not be tolerated. To put down this rebellion, and to fashion a fascist solution to the crisis, the bankers dispatched their leading Synarchist thug, Felix Rohatyn, the managing partner of Lazard Frères in New York, and an admirer of the policies of Hitler's

financial czar, the Reichsbank president and later Nazi Economics Minister, Hjalmar Horace Greeley Schacht.

The choice of Rohatyn to be a new Schacht should not have surprised anyone. Just as Schacht had been guided by the Bank of England's Montagu Norman, Felix—who had himself fled Schacht's Nazis in Austria and ultimately arrived in the United States in 1942—was placed early on under the wing of André Meyer, the head of the Synarchists' Lazard Frères banking house. The young Rohatyn was reportedly introduced to the powerful Meyer by the Canadian whiskey czar Samuel Bronfman, who explained that Felix had some ruthless traits that Meyer might find

useful. Meyer methodically moved Rohatyn up through the ranks of Lazard, ultimately making him his second in command and heir apparent.

The London, Paris and New York branches of Lazard had been at the centre of the apparatus of Norman, Schacht, and Benjamin Strong (Chairman of the New York Federal Reserve Bank), that oversaw the bankrolling of Hitler and the Nazi Party. And Lazard had helped launch the banking division of the Worms group, which would be identified by both American and French military intelligence as the leading Nazis within the government of Vichy France. Wartime U.S. Army intelligence files had fingered both Lazard and Banque

Worms as the leading financiers behind the continental European fascist movements; the files were categorised "Synarchist/Nazi-Communist" to describe these phenomena.

Indeed, after having launched the Banque Worms apparatus, which dominated the bureaucracy of pro-Nazi Vichy France, top Lazard officials next penetrated the anti-Nazi resistance, including the inner circles of the French resistance movement headed by Gen. Charles DeGaulle. American intelligence files revealed that, by 1944, De Gaulle had become alarmed at the Synarchist penetration of his movement, and had launched an internal probe. The top

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Lazard official during this period, Andre Meyer, would adopt Rohatyn as his postwar protégé to—in Schacht's words—create a system of banking, industrial and raw material cartel power that could survive wars and imperial rivalries.

## 'Sharing the Pain'

Rohatyn pulled a debt-recycling scheme from Schacht's bag of tricks: It took in the old debt, created new debt, and then backed it with income streams looted from New York City's operating budget; to pay for this, Rohatyn demanded the imposition of draconian levels of austerity and service cuts, and then sought a bankers' dictatorship—the now-infamous Municipal Assistance Corporation or "Big MAC," and its Emergency Financial Control Board (EFCB), the latter having veto power over all city contracts and budgets for more than two decades.

The most important city in the world had its sovereignty stolen by the bankers, in much the same way Schacht had demanded that German sovereignty be ceded to the bankers to solve its fiscal crisis. It was the rejection of this demand, and the threat by Germany's 1932 von Schleicher government to impose an American System-Hamiltonian solution to Germany's crisis, that (in the words of Rohatyn's fellow Keynesian-Schachtian, Abba Lerner) had made Hitler "necessary."

Rohatyn, like Lerner, held no brief for the crude Nazis, and preferred the "smoother" corporatist style of Mussolini's fascism as a model for the implementation of bankers' austerity. In fact, the scheme for the New York City dictatorship was cooked up and sold in a series of weekly meetings at the Regency Hotel convened by Rohatyn and his good friend, David Rockefeller, that brought together select bankers, business, and labor leaders, along with hand-picked political figures (New York's meek mayor, Abe Beame,

was left off the invite list). Discussion was reported to be frank, and sometimes even brutal, as labour and political leaders were hammered into line. The group, which was dubbed 'King Felix's Shadow Government' by some, later formally evolved into the New York Partnership, and was said to be the inspiration for David Rockefeller's global "shadow government," the Trilateral Commission.

At the time of the New York City crisis, Rohatyn was already a prominent figure in Democratic Party circles, which in New York and nationally were heavily infected by the Synarchist, pro-Hitler Harriman networks. When the LaRouche-led movement for debt moratorium threatened to stymie Rohatyn's plans, he called on Harriman stooge and New York Governor Hugh Carey, a frequent participant in the Regency Hotel meetings. It was Carey who ultimately rammed the Big MAC I and Big MAC II packages (the later ceding control of the City to the EFCB) through a reluctant state legislature, where there was growing support for the LaRouche debt moratorium plan.

During the crisis, Rohatyn claimed that his primary goal was to "share the pain" created by the need for long-overdue austerity measures: "The pain is just beginning," said Rohatyn, as the first rounds of budget cuts hit in 1975. "New York will now have to undergo the most brutal kind of financial exercise that any community in the country will ever have to face." There was to be "pain and agony," he announced, as chairman of Big MAC, but added that, as agony's administrator, he would spread it "fairly."

Such claims—the essence of Keynesian-Schachtian "neo-liberal" economic policy—have always



Felix Rohatyn, head of Lazard Freres bank, a modern Hjalmar Schacht, and a bitter enemy of Lyndon LaRouche.

been a lie. The "pain and agony" are always to be suffered by someone other than Rohatyn's Synarchist friends. In the New York crisis, the bankers had the vast majority of their debts repaid at great profit; the investment bankers made hundreds of millions in fees and commissions marketing Big MAC securities; meanwhile, services for the majority of citizens were cut, hundreds of thousands of workers had their pay and benefits slashed, and tens of thousands of others lost their jobs, victims of Rohatyn's "fairness." Rohatyn also stole billions from workers' pension funds, by getting the city and state to order them to purchase the extremely-low-interest MAC bonds, rather than other, more viable securities. But it wasn't just the loot that Rohatyn was after, as he later explained; by demanding that unions ante up on the bonds, he had given them a stake in guaranteeing the brutal austerity package that backed the MAC securities—a stake, in other words, in slashing their own throats.

## A Greasy Eminence

With his "success" in managing the New York crisis and in rescuing, for the moment, the global financial system, Rohatyn was made a financial celebrity by the Synar-

## Lazard Frères: Synarchists in Action

Lyndon LaRouche has emphasised the role of Lazard Frères in creating and steering elements of the international Synarchist movement.

by John Hoefle

Lazard got its start as a bank in San Francisco during the 1849 Gold Rush, becoming the leading exporter of gold to Europe; founded by the French Lazard brothers, the firm soon established offices in Paris, New York, and London. But despite its heritage, Lazard is neither an American nor a French bank, but an instrument of a financial oligarchy which considers itself superior to nations. Indicative is the presence of a top Lazard figure as chairman of Assicurazioni Generali, the Venetian insurance giant founded in 1831 to serve some of the world's oldest family fortunes. Lazard specialises in shaping the world behind the scenes, helping build up fascism as a counter to the principles and founding ideals of the United States, and helping subvert the United States from within from a productive industrial society, to a consumerist, speculative society.

When Hitler turned on his masters and attacked western Europe instead of Russia, Lazard moved its main banking operation to New York in the person of Andre Meyer, who became a

major figure in American finance. Meyer, and later his protégé Felix Rohatyn, set about restructuring Wall Street and corporate America through bankruptcies, mergers, and hostile takeovers. Their aim was to create the kind of corporatist fascist world of which Mussolini could only dream, a globalised system in which the banks ran the corporations, and together they ruled the world.

Working closely with banks like Lehman Brothers and Rothschild, Lazard helped restructure Wall Street beginning in the early 1970s. Rohatyn headed a New York Stock Exchange task force to reorganise the investment banks into the hands of a new breed of Synarchist banker, like Citigroup's Sanford Weill, who would target, rather than ignore, the common man.

Lazard also helped create a class of parasites typified by Enron—a joint project with Rothschild—which pushed deregulation to more directly extend the oligarchy's looting hand into consumers' pockets. Lazard, working closely with

the networks around Yale's Skull and Bones cult, helped launch the business careers of both Presidents Bush, and helped build Dick Cheney's Halliburton.

Today, with explosions rocking the financial world, Lazard has repositioned itself as a "workout specialist" for large firms in difficulties. A former Lazard banker was one of the three directors who ran the coverup investigation of Enron; and Lazard has been deployed to companies such as Parmalat, Adelphia, and Hollinger Corp. Who better to solve the problem, than the people who created it? Now Lazardite Rohatyn is pushing a restructuring of the global economy into a bankers' dictatorship, in which bankers and their corporate cartels dictate terms to nations and their populations. It's a very old game: The oligarchs organise an economic disaster, then create a "solution" which advances their goals. This is the essence of Lazard Frères' oligarchical controllers, and the likes of Felix the Fascist. Like the Sirens, they lure us to our destruction.

TABLE 1  
New York City Government Employees Get the Axe

(Selected Sectors)	June 30, 1975	April 30, 1981	% Change
Police	35,447	27,697	-21.9%
Uniformed Officers	30,601	22,862	-25.2
Social Services	28,331	21,052	-25.2
Fire	13,885	12,429	-25.7
Education	81,970	69,847	-10.5
Sanitation	9,491	6,832	-28.0
Health and Hospitals	43,128	40,735	-5.5
<b>Total</b>	<b>296,805</b>	<b>231,903</b>	<b>-21.9%</b>

TABLE 2  
New York City Sanitation Services Guttled

	1975	1978	% Change
Tons of Refuse Disposed	7,534,988	6,468,221	-14.2
Miles of Street Swept	1,233,998	836,442	-31.7

Tables 1 and 2 show how Lazard Freres' Felix Rohatyn applied Schachtian economics to New York City, slashing jobs, living standards, infrastructure, etc.—all to provide an income stream for the bankers. Dozens of New York City hospitals were also shut down, precipitating a healthcare crisis which continues to rage. The same process is at work in the Australian economy.

chist international media machine. His advice was sought by other cities, nations, and corporations. He became a "hot commodity" in Democratic Party circles, where he became increasingly, openly allied with the New Democrats of Pam Harriman's Democratic Leadership Council; it regarded him as an *éminence grise*.

Using a vast array of contacts inherited from his mentor Andre Meyer, Rohatyn inserted himself into the centre of major Democratic campaigns. He showed up as the key financial adviser to 1988 nominee Gov. Michael Dukakis, whose meat-axe austerity program for Massachusetts was modelled on Rohatyn's Schachtian program for New York City; Rohatyn also became a top adviser to Gov. Bill Clinton, whose early campaign was heavily influenced by Pam Harriman's DLC; and in 2000, he was a key adviser to the hapless would-be fascist Al Gore. In each case, the media made him a likely "economic czar," waiting in the wings for his candidate to win.

Rohatyn is also not adverse to picking at the bottom of the political barrel, if it suits his corporatist purposes. He did so in becoming a key adviser to the Rev. Jesse Jackson in both 1988 and 1992. Recently, Rohatyn has heaped praise on "Beast-Man" Gov. Arnold Schwarzenegger for his will to pay the bankers debt, closing a huge budget gap through bonds backed by a Big MAC-like diversion of revenue streams and by savage austerity.

The Synarchists had reportedly wanted Rohatyn to serve as Bill Clinton's Treasury Secretary, but the post was given to Robert Rubin instead. Later, Rohatyn was set to be nominated vice chairman of the Federal Reserve, from which position, ultimately, he would have become chairman; but that nomination also had to be withdrawn because of stiff opposition from Clinton's circles and GOP circles. (Instead, the managing director of New York's Lazard Frères was shipped off to Paris, to mingle with his fellow Synarchist fascists on the Continent, where discussions could take place on how to handle the coming end of the stock market bubble.)

Rohatyn, despite his Democratic moniker, also shows up in GOP and other circles. His 30-year friendship with independent Ross

Perot is well known; he quietly advised him during both his Presidential runs. In 1988, Rohatyn was tapped by fellow Synarchist and former Democratic National Committee chairman Robert Strauss for a special "National Economic Commission" that would advise the incoming Bush Administration on economic policy. One of the main points in those recommendations was that the United States be subjected to the same kind of austerity "conditionalities" that the IMF imposes on the developing sector; another proposal called for massive cutbacks in Social Security and Medicare programs because the Federal government can no longer afford to fund them at current levels.

As "Bush 43" was about to enter the White House in 2003, a plea was heard from GOP "supply-sider" Jude Wanniski that "W" show true bi-partisanship, and nominate the most able economist and Wall Streeter available for Treasury Secretary—Felix Rohatyn!

## Saving Their Power

Like a true Schachtian, Rohatyn really has no economic principles save one: the use of whatever tricks are necessary to preserve the power of his crowd over global policy. He has no stake, for example, in supporting the wildly uncontrolled and deregulated "markets" that are the gods of the Mont Pelerin type of monetarist, such as Milton Friedman. Thus, in the heady days of the 1980s, he slammed the junk-bond kings, like Michael Milken, for threatening to destroy the whole system with their "new money" ways; and he demanded that they be prosecuted and regulated. During this same period, Rohatyn was a big player (and Lazard with him) in the merger-and-acquisition frenzy, and in leveraged buyouts of the type for which Milken and his ilk became notorious. Here, too, the issue was power and control for Rohatyn—he did not want the "uppity" "new money" boys getting in the way of his Synarchist faction's overall control of things.

Likewise, his much-touted support for a "New Bretton Woods" monetary system. Rohatyn is not calling for a reassertion of sovereign nations' control over international finance; instead, he wants a bankers' dictatorship, with powers like those he enjoyed in New York

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Schacht locked up behind barbed wire, where he belonged.

their manifest greed and corruption, threaten to undermine faith in the financial and corporate system itself; if left unchecked and unregulated, such corruption and greed could lead to the system's collapse, as well as a popular rebellion that would take the power to regulate the system, out of the hands of the bankers. Bankers must propose and implement regulation, he urged, lest it be imposed on us from without, à la FDR in the 1930s.

In "From New York to Baghdad," written in November 2002 for the *New York Review of Books*, in anticipation of the coming Iraq war and the disgust at the way it was unilaterally organized, Rohatyn argued that the Bush Administration had made a mess of a bad world financial system; made its problems worse by their open alliance with "the forces of greed" in the marketplace and their failure to act effectively to put a brake on such excesses. Just when bankers need the government to impose austerity, both domestically and nationally, we have, Rohatyn wrote, an administration that is feared and distrusted both at home and abroad. All but openly stating the intention of his faction to replace the current government, he compared the Bush Administration's ability to lead, to Nixon's at the height of Watergate, concluding that we must have a government that will "fairly" share the pain sure to result from the policy failures of the last decade or more.

"I believe that capitalism is the best system ever invented for the creation of wealth," Rohatyn writes, "but it must be fair, it must be regulated, and it must be ethical. The excesses of the last few years show how the system has failed in all three respects.... National security in a depressed economy is our most important issue today. To deal with it, will require real sacrifice on the part of all Americans; and if sacrifices are to be justified, they must be seen as fair."

Rohatyn has apparently settled on Sen. John Kerry as his prospective "office clerk" President, and has been seeking control over the putative Democratic nominee's economic policy. His policy ideas, including for a large-scale Schachtian domestic infrastructure-building program—a huge \$500-billion, MAC-like scheme first floated by him in 1988, whose bonds would be guaranteed by diversion of Federal revenue streams and whose contracts would demand sacrifice by labour unions

in exchange for jobs—are making the rounds inside the party and the Kerry camp. For Kerry to play the flunky role for Rohatyn (as the bizarre Mayor Ed Koch did in New York), Kerry must be kept away from Lyndon LaRouche, and his approach to the crisis from the standpoint of the General Welfare, not the bankers' debt.

Rohatyn is reported to have become almost shrill over the recent Argentine government confrontation with the IMF, shrieking that no government has the right to challenge the bankers or their selected thugs. Behind such out-

bursts is the fear Rohatyn and his cronies have of LaRouche, as they feared what LaRouche could accomplish in the New York City crisis. "Anyone who is backing default or moratorium should be taken out and shot," Rohatyn is reputed to have said back in 1975. Rohatyn and Schacht can profess to prefer a "friendly fascism" to Hitler's brand; but when push comes to shove, they'll back a Hitler and his methods when "necessary."

In August 2001, shortly after Rohatyn issued his call for a "New Bretton Woods" reform of the IMF,

LaRouche challenged him to state precisely what kind of "Brand X" type of Bretton Woods he was touting, as compared to LaRouche's own proposal which would take real power away from the private bankers like Rohatyn. Rohatyn never did answer LaRouche's challenge, published in *EIR*, August 31, 2001. Today, Democrats should demand that Rohatyn answer another question: Does he agree with Abba Lerner that adoption of Schacht's genocidal austerity would have made Hitler unnecessary?

City, reining in some of the wilder speculative practices and overseeing debt restructuring from the standpoint of "sharing the pain." His criticism of the unregulated crap-shoot that is the system administered by the International Monetary Fund, is that it lacks the cohesiveness needed to deal with crises, and breeds distrust by its one-sided and arbitrary demands on weaker and troubled nations—and therefore potential rebellion by sovereign nations. Better to throw the victims some crumbs and let them believe that they have some say in their fate, than try to ram things down the throats of debtors, as the IMF has done in the last decade.

That is the essence of his much-touted call for reform of the IMF in August 2002. Since then, Rohatyn, seeing his proposals for token IMF "reform" unheeded, has sought to steer nations into the creation of regional institutions and bond markets, kept under the control of central and other non-sovereign bankers, and where bonds—which make money for investment bankers and increase nations' indebtedness and need for austerity—are used as a substitute for sovereign direct-credit issuance. Rohatyn sees the emergence of regional blocs as key leverage for the imposition of Schachtian austerity on the United States.

The ultimate pragmatist, Rohatyn is not unwilling to admit that there is a serious, system-threatening crisis in progress. In "The Betrayal of Capitalism," written in February 2002 for the *New York Review of Books*—where he has been a frequent contributor for more than 20 years—Rohatyn argued that the excesses of the financiers of the "great bubble," and

## Schacht at Nuremberg: Guilty As Charged

Hjalmar Schacht was indicted for crimes against humanity, and tried in 1946 with other Nazi war criminals. Schacht's defence was that he was only a banker and economist, and had no responsibility for the political implementation of his policies by the Nazis; he painted himself, instead, as a temporising influence on the worst excesses of the Hitler crowd, and professed, like his admirer Prof. Abba Lerner in the famous 1971 debate with Lyndon LaRouche, to have been an anti-Nazi. While evidence was presented that Schacht had participated in meetings that directly helped bring the Nazis to power, including setting up bank accounts where funds were deposited to bail out the bankrupt Nazis in 1932-33; that Schacht had created the policies which regimented the German workforce and gutted the trade union movement, through often brutal and violent measures; that he had funded the creation of the Nazi war machine; he was acquitted of all counts. The judges vote was split with the connivance of a weak prosecution, run by the British and presented by an American mob-linked, pro-Synarchist from Minnesota; the administration of U.S. President Harry S. Truman who replaced the Franklin Delano Roosevelt Administration likely did not want the banker prosecuted.

Schacht's conviction could not be allowed because it would have established a legal precedent, that economists and bankers could be held morally and criminally responsible, for



Banker Hjalmar Schacht in the dock at Nuremberg.

crimes against humanity, for the advocacy of precisely the policies advocated by Schacht, Lerner, and Felix Rohatyn.

Chief U.S. Prosecutor and FDR ally Justice Robert Jackson was outraged at the verdict. He, following orders from his now-deceased friend Roosevelt, had fought British and French objections to try Schacht. In an eloquent last-ditch effort to rescue the prosecution, Justice Jackson had presented what is, in effect, the reasons why the Schachtian fascist Felix Rohatyn, head of Lazard Freres investment bank is also guilty of crimes against humanity.

Jackson singled out Schacht as "the most dangerous and reprehensible type of all opportunists," someone who would use a Hitler for his own

ends, and then claim, after Hitler was defeated, to have been against him all the time. He was part of a movement "that he knew was wrong", but was in it because he saw it "winning." Jackson ridiculed Schacht's claim to be an "honorable man"; he, while claiming to despise Hitler, "armed Hitler to blackmail a continent."

Schacht, says Jackson, "boasts that he would have shot Hitler if he had the opportunity, but German newsreel shows that, even after the fall of France, he stepped out of line to grasp the hand of the man he now claims to loathe, and hung on the words of the man he now says he thought unworthy of belief." If Schacht did not believe in the Nazis, it made his working for them as minister that much worse—because, in Jackson's words, he gave "credibility," especially in international circles, to the Hitler regime. His alleged distaste for the Nazis and Hitler, said Jackson, was that of a "Brahmin among the untouchables—he could not bear to mingle with the Nazis socially," but still worked for them as a member of a criminal regime. His "opposition," which Schacht spoke of with the skill of a sophist during the trial, was "over tactics, not principles.... While he may have disagreed with his Nazi confederates about what was expedient in reaching their goal, he never dissented from the goal itself." Not to convict him would be a travesty of justice, Jackson argued.

By exposing Felix Rohatyn as the would-be Schacht today, a new set of crimes against humanity, leading to a New Dark Age, may be prevented.

FIGURE 1  
Triple Curve Shows Schachtian Looting

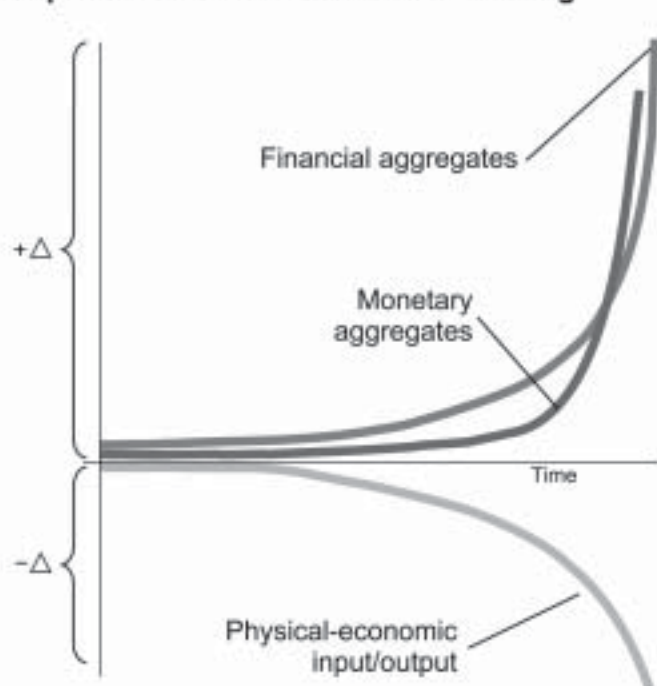


TABLE 1  
Raw Materials Price Increases  
(\$US Per Metric Ton)

Commodity	2nd Q 2003	February 2004	Percent Increase
<b>Metals</b>			
Copper	1,641	2,752	68%
Aluminum	1,382	1,885	22
Tin	4,658	6,663	43
Nickel	8,372	15,099	80
Lead	456	885	94
<b>Hardwood Logs</b>			
Softwood Logs	182	199	9
<b>Energy</b>			
U.K. Brent Oil*	26.1	31.3	20
Australian coal	25.4	43.5	71
Uranium**	10.6	16.1	53
<b>Foodstuffs</b>			
Wheat	137	161	18
Soybeans	246	370	50
Soybean meal	197	279	42
Palm Oil	419	534	27
Fish Meal	603	685	14
Olive Oil	3,618	4,669	29

\* Price of Brent oil is measured per barrel.  
\*\* Price of uranium is measured per pound.

In December 1995, LaRouche introduced his famous "Triple Curve" pedagogy, to show the process of economic collapse. The financiers loot ever-increasing amounts of physical/economic output (the bottom curve) in order to keep their financial aggregates (stocks, bonds, etc.) afloat, since all of these demand an income stream. Through their control over central banks, they also issue monetary aggregates (i.e. print money) at ever-increasing rates for the same reason. However, virtually all of this new money goes into speculation, and not into real production, which is looted into collapse. The rate of monetary aggregate expansion soon surpasses the rate of expansion of financial aggregates (where the two upper curves cross), and this sets off hyperinflation as in 1923 Germany. We see this hyperinflation today in the wild growth of real estate and other financial bubbles, and in the soaring prices of many commodities, raw materials, and finished goods. The price of petrol in the U.S. jumped 32 per cent in just ten weeks in early 2004, and steel prices soared 30 per cent in the same time. For other shocking indicators of this hyperinflationary process, see the accompanying table, "Raw Materials Price Rise Increase".

## Economic Rationalism: The New Name For Schachtian Economics

### Schachtianism in Australia

by Noelene Isherwood

After twenty years of the Mont Pelerin Society-inspired “reforms” which began with Bob Hawke in 1983, a staggering 20 per cent of all Australians now live in poverty—you, or one in every five of your fellow citizens. When Hawke came to power in 1983, according to Reserve Bank figures, the net total of private and public foreign debt was \$25 billion. When Howard took over in 1996, it was \$193 billion; today, it is \$374 billion. And, while debt is soaring, the means to pay that debt are collapsing, because the debt must ultimately be paid out of our actual physical economy—our farms and manufacturing base, which are fast disappearing. If the debt is treated as sacrosanct as in the 1930s, to be paid ahead of the general welfare of the population—as the Liberals and Labor clearly intend—then the Schachtian looting of the population will intensify dramatically in the months ahead.

A clear example of how this looting works is the fire sale (“privatisation”) of public assets under the Howard government, *solely to pay the debt*. While overall foreign debt has skyrocketed, the public component of it went down from \$96 billion in 1996 when Howard took office, to \$25 billion today, as confirmed by Liberal Member for Casey Tony Smith on March 2<sup>nd</sup>. Telstra, the Commonwealth Bank, Sydney Airport, Reserve Bank gold assets, National Rail Corporation and Freight Corp, national assets built up over decades by generations of Australians, all these and many more were raffled

off for some \$55 billion—often to the government’s cronies in the private sector. In other words, all of these \$55 billions, and an additional \$16 billion besides, were transferred straight from the Australian public to the coffers of the banks. You see the effect of this “debt before people” program in our collapsing public schools, our dilapidated and dangerous public health system, the grinding poverty in which the majority of our elderly must live, and on and on. Additionally, since 1996 the Howard government has allowed a \$13 billion blowout in unfunded government superannuation liabilities for public servants. Unfunded public sector superannuation is now a whopping \$85 billion; this, too, represents looting—from future generations in order to pay the bankers in the present.

However, now that we have “sold the family silver”, and have more debt to pay than ever, where will the money come from to pay this ever-rising debt? The answer is obvious: through intensified Schachtian looting of the population along the “free market” lines dictated by the Mont Pelerin Society and its Australian fronts. This is what Costello proposed under the rubrics of “reversing the welfare state” and “the market as principle driver of economic growth”, at his speech to the Centre for Independent Studies’ annual Consilium meeting of the rich and powerful held at Coolum on August 7, 2003. He also bragged about where this notion had come from.

“In the 1970s think tanks were established to begin the counter-

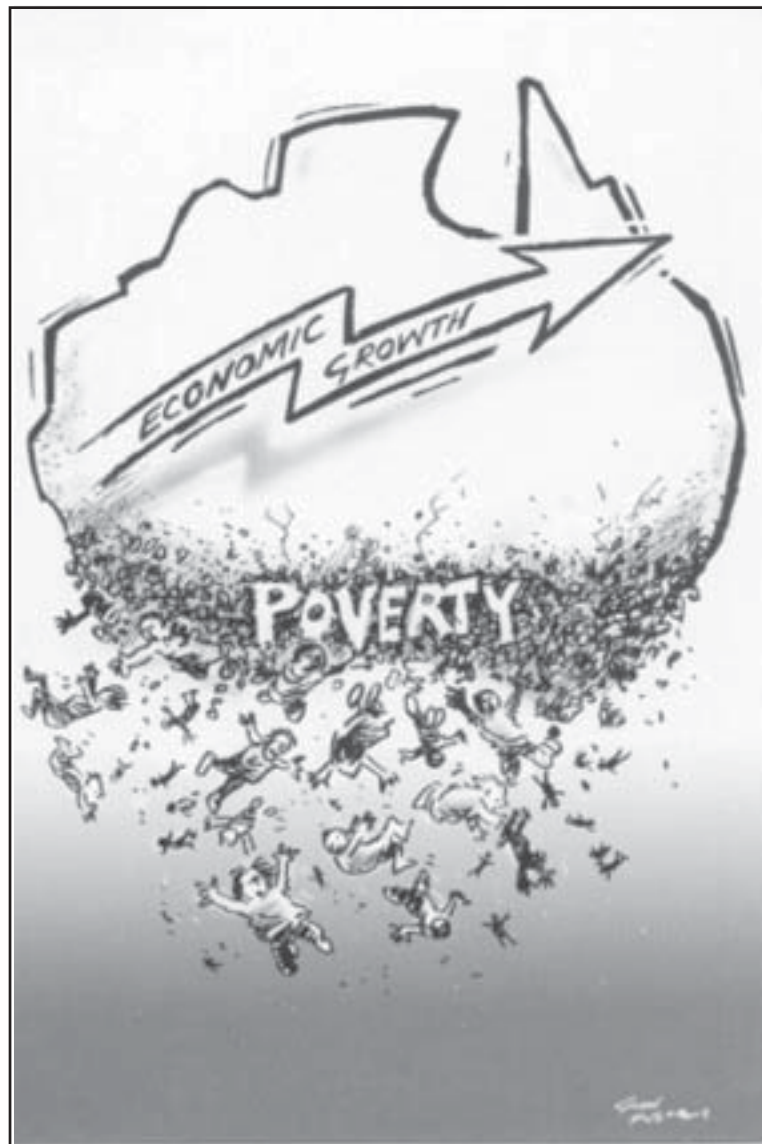
revolution of promoting a different organising agenda, embracing the ideas of liberty, choice and the market. In Australia one of those think tanks was the Centre for Independent Studies. In the UK the Centre for Policy Studies was founded in 1974 to promote ideas such as privatisation—a proposal not just to slow the growth of the welfare state but to actually reverse its direction.... Gradually over the last 30 years the concept of the market as principle driver of economic growth has moved from an eccentric fringe idea to a central organising idea for economic policy.”

Costello revealed more about the implications of this “free market” paradigm and reversing “the welfare state”, when he spoke on the ABC *Insiders* program on February 29 this year. “Reform”, as always for the past 20 years, means slashing the budget (or wages and income), or raising prices.

“I want policy to be looked at through this paradigm, this new structure, and it’s going to affect health, pharmaceutical, aged care, retirement income, superannuation, the economy, the labour market, industrial relations....

“[W]e have got pharmaceutical reform in the Parliament and the Labor Party intimated last week they might break and support reform on that and I’d encourage them to do so. We have got disability support reform into the Parliament and you will recall Mr. Latham before he was leader said this had to be done so I call on him now ... I call on him now to put

*Continued next page*



Members of Poverty Coalitions around Australia (and the public) last year forwarded signed postcards requesting that Prime Minister Howard act to improve the situation regarding poverty in Australia.

### Treason in High Places: the Brisbane Line

From page 6

simultaneous British and Japanese attacks. This remained American strategic doctrine until the very eve of the war and was reflected in the United States’ War Plan Red and War Plan Orange.

The purpose of the British sponsorship of both the Japanese and German fascists as marcher lords, was to ensure that no grand alliance would emerge in Eurasia among Germany, France, and Russia with natural extensions into China and Japan, as threatened to happen in the last quarter of the 19th Century. The British, with their navy that “ruled the seven seas”, was concerned that a rising “Eurasian” power could outflank their maritime control. These concerns were reflected in the Halford Mackinder doctrine that “He who controls the Eurasian heartland rules the world.” In British plans, fascist Germany was supposed to strike east first, and Germany and Russia would hopefully bleed each other to death. When Germany struck west, Churchill was forced to seek help from a man he hated, U.S. President Franklin Delano Roosevelt.

#### The Round Tables

The core of the London/Wall St. axis was the Round Table group pulled together by Lord Alfred Milner and disciples such as Lionel Curtis and Philip Kerr (Lord Lothian), based upon the gold and diamonds fortune of Cecil Rhodes. It was also based upon the financial muscle of the New York and London Lazard Freres banking house, a pillar of the international Synarchy. The infamous pro-Nazi

Cliveden Set was a frequent meeting point for the Round Table, and Lady Astor’s brother-in-law was Robert Henry Brand, the dominant figure in Lazard for most of the 50 years (1909-1959) he spent with the firm.

The strategy of some British influentials for the Pacific was not exactly a secret. Edwin Montagu, Financial Secretary of the Treasury under Prime Minister Herbert Asquith, spoke for many British influentials in 1915 when he wrote, “I would far rather cede Australia to the Japanese than cede to Australia anything that the Japanese want.” In the 1930s, the Dean of Canterbury, Hewlett Johnson proclaimed, “I should like to have seen a great English gesture in presenting to Japan that part of Australia which we can not colonise ourselves. I believe that would change the whole atmosphere in the East.” A typical Synarchist, the “Red Dean” was as pro-communist as he was pro-fascist.

Now, look at the Japan-Australia Society and closely related figures, such as sometime Australian Foreign Minister Sir John Latham, who led a government and trade delegation to Japan in 1934, and who became Australian Ambassador to Japan in 1940-41, even while Chief Justice of the High Court. Several of them, like Latham, were also leading members of the Round Table in Australia, which was dedicated in large part to “foreign affairs”, and controlled Australia’s “Pacific policy” for Britain. These Japan-Australia Society members who were also Round Tablers included the Society’s president, Sir John Peden;

one of its vice presidents, the Hon. Henry Braddon; former military intelligence Lt. Col. T.H. Kelly, of CSR and the Bank of New South Wales, the two key institutions backing the Old guard, and, as a de facto member after having led Australia’s mission to Japan in 1934, Sir John Latham. While not a member of the Round Tables, Old Guard leader Sir Mark Sheldon was a business partner of Round Tablers Henry Braddon and T.H. Kelly.

It is important to remember that at this time, Australia’s foreign policy by statute was actually run through Britain, which remained the case until well into World War II. Furthermore, inner circle Round Table members were chosen for their slavish devotion to the British Empire, and would not even dream of marking out their own foreign policy. Typical was the anglophile toady Latham, a lifelong friend of top British Round Tabler Lionel Curtis, who visited Australia to set up the Australian Round Tables in the first place. As a member of Chatham House, the London headquarters of the Round Tables, Sir John Peden was deeply involved in the Round Table as well. Thus, the Japan-Australia Society “Vichy” policy toward Australia, was in fact the British Synarchy’s policy, the same Synarchy who wanted to install Menzies or some other pro-Nazi quisling as ruler of Britain itself.

#### Kennosuke Sato—“Civil Administrator” for Australia

Cottle recounts how, in 1945, the closest Japanese collaborator



The bombing of Darwin, February 19, 1942. Curiously, C.L.A. “Aubrey” Abbott, who was the other main military organiser of the Old Guard along with Jack Scott, was later appointed Chief Administrator of the Northern Territory in 1937. Despite local protests, Abbott did nothing to prepare the NT for an expected Japanese invasion.

of the Japan-Australia Society, Kennosuke (Ken) Sato, announced that he would have been the “civil administrator” for Australia, had the Japanese succeeded in their invasion plans. One of Australia’s most important intelligence officials, R.F.B. “Bob” Wake, wrote a report for the Commonwealth Investigations Bureau in which he concluded:

“The Japan-Australia Society had largely a social background but an examination of the activities of some of the members of this body seems warranted in view of the reported statements by Ken Sato (civil administrator-elect for Australia) in Osaka in December 1945 that a number of people in Australia would have been prepared to collaborate with the Japanese if they had succeeded in in-

vading and occupying Australia”.

In the rising tide of the Cold War, Wake’s recommendation was never acted upon. Prof. Cottle names a number of likely candidates for investigation in addition to the obvious, and most important suspects in the Japan-Australia Society. Though Cottle doesn’t say so, one of these would be the pro-fascist John Latham. In 1940-41 Menzies had a special act put through the legislature to allow the Chief Justice of the High Court to take up a post—while still Chief Justice—as Australia’s Ambassador to Japan. Menzies’ own pro-fascist proclivities, whether Japanese or German, were notorious. What exactly was the fascist Sir John negotiating during that critical period, when many expected Japan to invade and occupy Australia?

# Economic Rationalism: The New Name For Schachtian Economics

that into law. ... I then propose to put into the Parliament the changes in relation to the work and retirement issue, which we are going to put in hopefully in relation to this session. Then we have got to move beyond that.... We have got to move beyond that in so many of those other areas."

In his book *Civilising Global Capital*, Opposition leader Mark Latham echoes Costello's "new paradigm", in Latham's typical "Third Way" gobbledygook:

"Social democracy has normally tried to protect those citizens vulnerable to the changing nature of a market economy by boosting the level of public expenditure. It is clear, however, especially with the exposure of national economies to internationalisation, that this approach is now limited by the fiscal carrying capacity of the state.

"Devolution ... involves the replacement of vertical systems of state control with the possibilities of horizontal social capital.... Governments need to create room at the middle of society for the formation of self-governing mutual bodies. The devolution of public functions in health care, welfare and civil sector employment are well suited to this purpose."

Translated: We intend to slash health care, welfare and public employment.

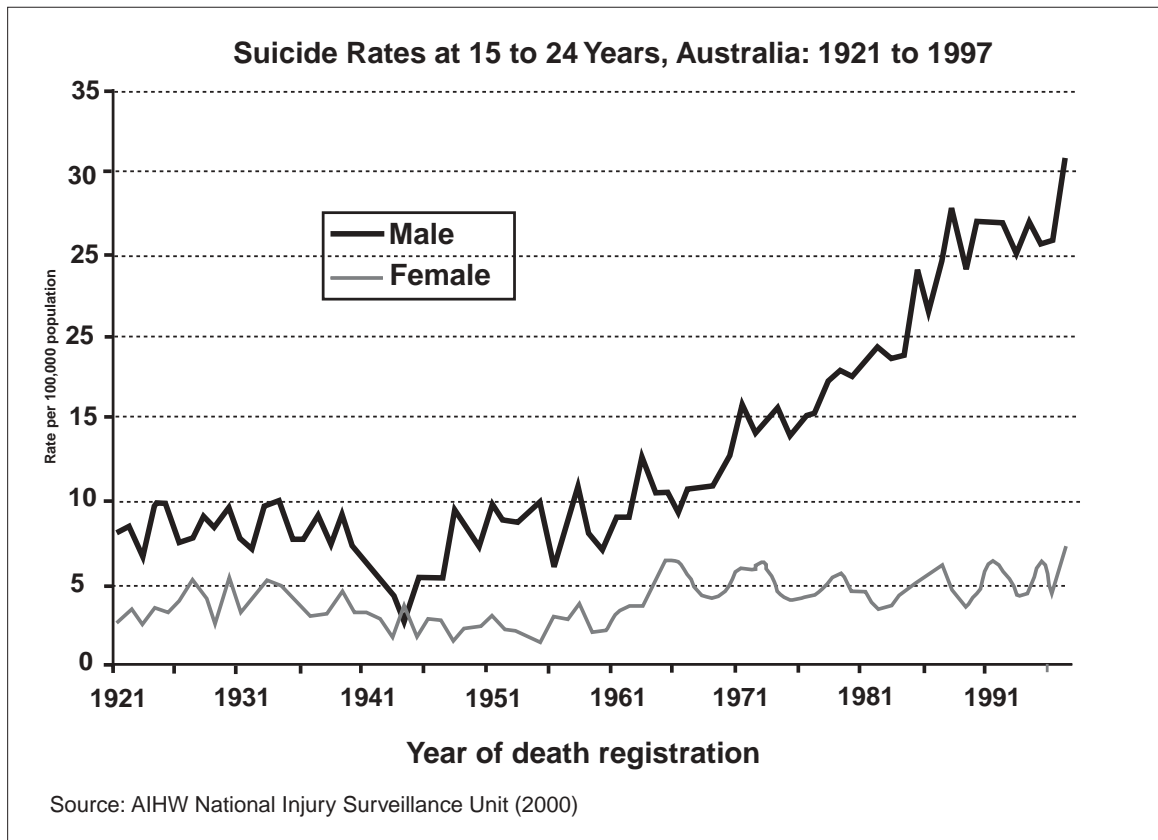
## The Benefits of Mont Pelerin Policies

For two decades now, Mont Pelerin hacks such as Hawke, Keating, Howard, Costello and Latham have trumpeted the benefits of privatisation and globalisation. The ultimate goal of MPS fanatics is to have little or no government at all, as repeatedly stated by von Hayek, Lord Harris and other MPS luminaries. However, the purpose of government is precisely to provide the kind of large-scale or vital infrastructure which the private sector, by its very nature, is incapable of providing. Therefore, to champion "small government" or virtually none at all, lawfully results in the "benefits" noted below.

**Youth suicide:** Australia has one of the highest youth suicide rates in the world. Why? Because youth are much more sensitive to the direction of a society than their often more fossilised elders. If the directionality of a society is down, down, down, the first to sense that, are the youth. With few or only poorly paid jobs available, no sense of national mission ("nation building"), and no sense of optimism, the youth respond as could be predicted by anyone with half a brain: they kill themselves. And all the sociology studies and band-aids in the world will not alter that reality.

**Homelessness:** The most recent official government figures on homelessness come from the 1996 census and are therefore woefully outdated. However, already then 105,303 people were homeless. According to the Salvation Army, it is anticipated that the 2001 census could show an estimated 25 per cent increase in just the intervening five years. Take just two examples. Anglicare reported that during 2001-2002 they provided assistance to 95,000 homeless people, most of them youth, while St. Vincent de Paul in 1998 helped out 23,000 homeless at their Matthew Talbot hostel in Sydney; by 2002, that number had jumped to 43,000.

The median price of an established detached dwelling rose from \$148,000 in June 1993 to \$358,000 in June 2003. Potential



home-buyers are increasingly priced out of the housing market, and even from the highly-inflated rental market, as well. As far as public housing, a December 2003 report by the Australian Council of Social Services (ACOSS) reported that waiting lists for such housing have soared, and that "People can wait years for a secure home through public housing."

In Tasmania, the homeless are being given tents, "because of a serious shortage of support accommodation", according to ABC Tasmania. In Parliament on March 11, 2004, Mark Latham hypocritically raised the issue, stating that housing authorities in Hobart had to "dispense tents to the needy, to people with disabilities and mental illnesses. The \$1 billion cut-back in public housing by this government, with authorities and communities having to dispense tents to people in need—that is the shame."

**Unemployment:** As various commentators have noted, unemployment is at least double the official rate of 5.9 per cent. (ABS figures released mid March revealed the actual unemployment rate rises to a massive 15.9 per cent when those surveyed are asked if they are available for work within four weeks rather than immediately.) The average duration of unemployment has risen: in the 1970s it was 12 weeks; 41 weeks in the 1980s; and one year during the 1990s. Over the decade 1990-2000, the number of permanent full-time jobs fell by 51,000, but the number of much more poorly-paying casual jobs increased by 333,000. As the Brotherhood of St. Lawrence stated, "There are not enough jobs. There is currently only one job available in the economy for every six job seekers."

And many of those who have jobs, are "working poor", as revealed in a recent report by the ACTU, citing ABS research:

- \* Over half a million working families were unable to pay electricity or phone bills.

- \* 60,000 were unable to afford food.

- \* 36,000 were unable to heat their homes.

- \* 95,000 were forced to pawn or sell something because they were short of cash.

- \* The big rise in the number of working poor is due to the increasing proportion of casual and low paid jobs.

- \* More than one in four (27.3

per cent) or 2.2 million working Australians are casual workers.

- \* The number of men casually employed has soared by 142 per cent in the past decade.

- \* Nine in ten jobs (87 per cent) created in the 1990s paid less than \$26,000 a year.

The ACTU is currently lobbying for a \$26.60 a week increase in award pay rates, which would lift the minimum wage from \$11.80 to \$12.50 per hour, or increase the full time minimum wage from \$448.40 per week to \$475. Award workers represent 21 per cent of the workforce and nearly all work in hospitality, retail or health and community services. Howard and Latham's Centre for Independent Studies not only fiercely opposes the raise, but wants to slash the minimum wage. CIS Policy Analyst Dr. Kayoko Tsumori, recently wrote in his paper, "Poor Laws (2) The Minimum Wage and Unemployment":

"Counterintuitive as it may sound, it is a decrease not an increase in the minimum wage that will help marginal labour market participants.... Continuous economic growth does not necessarily provide a sound basis for a continuous upward adjustment of the minimum wage.... At the end of the day, low-wage jobs are better than no jobs at all."

**Education:** Melbourne University (along with many others around the country) plans to increase students HECS fees by 25 per cent, the maximum allowed under the Government's higher education reform package. This is due to a "failure of the Government to provide adequate levels of funding", according to a leaked university document.

High school graduates faced with paying thousands of dollars in university fees or committing to a debt the size of a home mortgage, will abandon the idea of going to university. The students who give up are likely to be the ones who are already disadvantaged. TAFE placements are also being affected with more than 60,000 students to be turned away this year. In South Australia alone, some 3900 applicants missed out on a place in TAFE this year.

**Physical Infrastructure:** There is well over a \$100 billion infrastructure deficit at present, just in the funds required to replace existing dilapidated roads, rail lines, power stations, etc., let alone constructing anything new. The rash

of BOOT ("build, own, operate, transfer") schemes pushed by such as Macquarie Bank are highly overpriced, and a drop in the bucket compared to what is actually required.

**Health:** Australia has a systemic crisis across all sections of health care, of which the following figures and anecdotes are only symptomatic. The basic problem is too little funding, which means too few doctors and nurses, and too few facilities. Thus, the whole system is stretched well beyond its limits. That reality, which surfaces from time to time in newspaper reports, would be much more obvious, were there not intense pressure upon doctors and nurses not to speak out about horrendous working conditions and dangerously inadequate levels of patient care.

For instance in November 2003, *60 Minutes* ran the story of three NSW nurses who should have been hailed as heroines, but had been branded as villains: they refused to stand by and watch their patients die needlessly. They exposed a cover-up of a shameful level of patient neglect, which ultimately cost them their careers. But, for once the truth proved to be a powerful weapon, and more than 100 claims of mismanagement, negligence and patient neglect were investigated by the Health Care Complaints Commission (HCCC).

The 10-month investigation found that between 1999 and 2003 at least 17 patients at Camden and Campbelltown hospitals died as a result of "unsafe, inadequate or questionable care". The findings also suggested that more than 60 per cent of patients whose treatment was scrutinised were subjected to "unsafe standards" of hospital care. However, AMA NSW president Choong Siew-Yong charged on April 1<sup>st</sup> that the report did not address the main problem: "chronic underfunding".

As many as 140,000 documented medication errors happen in Australian hospitals each year. The head of the Australian Council for Safety and Quality in Health Care, Bruce Barraclough, said drug errors accounted for a fifth of all mistakes in the health care system, costing public hospitals \$380 million a year. In August 2003, *The Age* revealed that 16 patients died and nearly a dozen were injured by hospital medical errors in Victoria alone, last financial year,



Treasurer Peter Costello—a bankers' boy whose Schachtian policies are killing our youth.

some due to incorrect medication. Professor Barraclough said that individual doctors and nurses were rarely to blame: "They might be overstretched, understaffed. It's a system issue."

According to a report issued in August 2001 by the Royal Australian College of Radiologists and the Australian Institute of Radiology, up to 10,000 cancer patients died prematurely or suffered unnecessary pain in 2000, due to staff and equipment shortages.

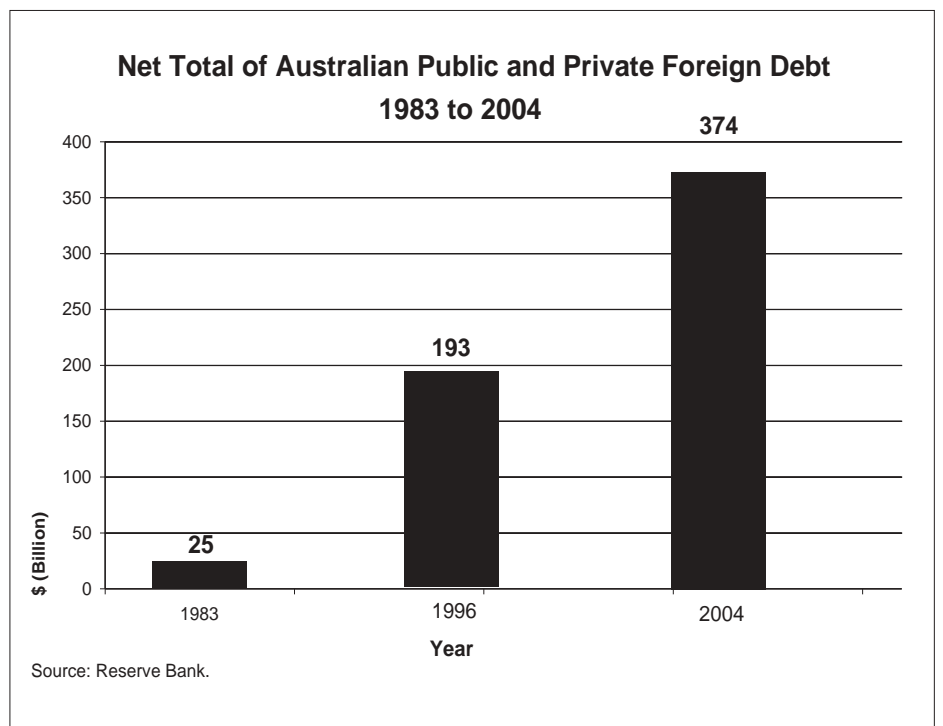
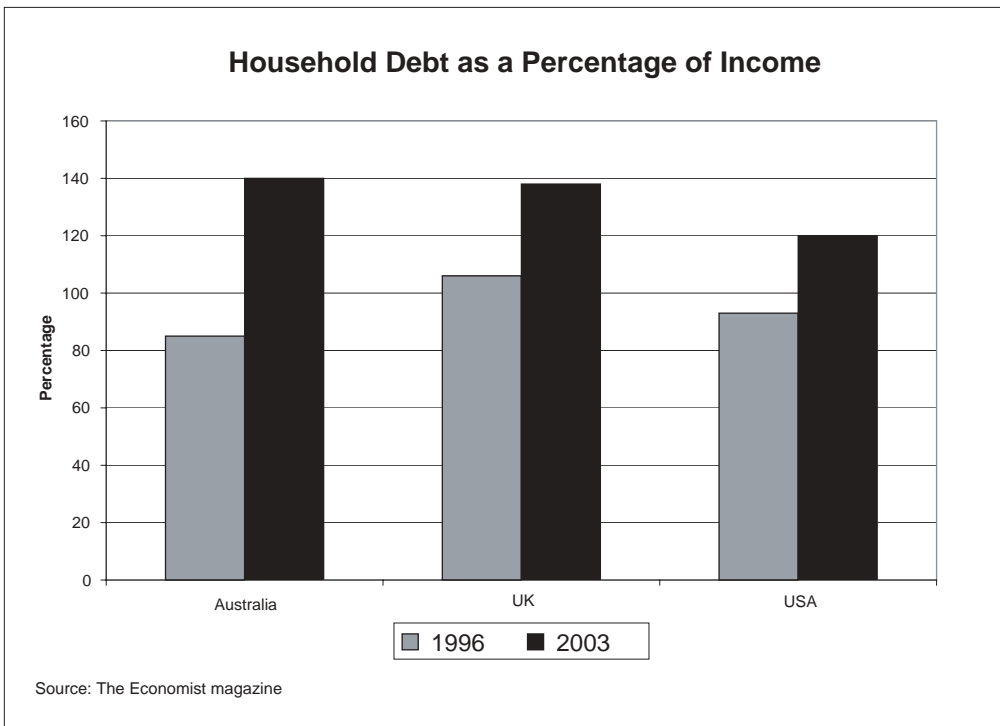
In Victoria late last year, community outrage forced the State Government to pledge an extra \$6 million to fix "barbaric" conditions for tiny cancer patients at the Royal Children's Hospital. Oncology department head Prof. David Ashley confirmed the cancer ward was overcrowded, with not enough beds, up to four families sharing a single room and 17 sharing a bathroom. Other sections of the hospital were just as bad.

Waiting lists are notoriously blown out. The NSW Government has recently committed an extra \$20 million to be spent this financial year to carry out an additional 3,000 procedures. The number of people in NSW waiting more than a year for surgery is now over 7,000, a 200 per cent increase since the Government came into office. In Victoria, total waiting lists increased by almost 1000 in the June quarter of 2003, to 38,640, and patients waiting on hospital trolleys in emergency departments for more than 12 hours, rose to 5170.

The situation will only get worse, as the medical indemnity crisis of 2003 saw a "tidal wave" of resignations by doctors and specialists across three states, with only some of them returning to work once the immediate crisis was addressed. And, according to a Commonwealth Dept of Education, Science and Training report, by the year 2010 Australia will have a shortage of 40,000 nurses. The Australian Council of Deans of Nursing reported in May 2003 that "if qualified nurses keep leaving the profession at the current rate, an increase in graduate nurse supply of 25 per cent by 2005 and 50 per cent by 2006 will be required to meet demand. It is most dire in NSW which will have only 47 per cent of the nurses they need within three years."

And, since the government has refused to reimburse doctors sufficiently, bulk-billing has collapsed from 80 per cent down to the mid-sixties per cent, meaning many veterans, elderly patients or other poor people can not afford to see a doctor when they need to, and numerous medical clinics and practitioners are rapidly going broke. The *Herald Sun* reported on Sept. 1, 2003, that "Sick veterans and war widows are being forced to

# Economic Rationalism: The New Name For Schachtian Economics



From Page 15

shop for doctors as GPs refuse to honour their Gold Cards because of the bulk-billing crisis. Scores of elderly ex-Diggers in country Victoria and thousands nationally have been refused non-fee treatment by doctors, who insist the extra \$3 for seeing war veterans on top of the Medicare fee is not financially viable."

A late 2003 report, commissioned by the Australian Consumers Association (ACA), found the poorest 10 per cent of federal electorates, with an average income of \$27,116, have the lowest bulk-billing rates, at 53.6 per cent. Electorates with an average income of \$33,145—the fourth-richest income bracket—had the highest bulk-billing rate, at 79.1 per cent. ACA health policy officer Martyn Goddard said, "the report showed people who were most in need of bulk-billing had the least access to it."

The bulk-billing crisis in turn has created a disaster for public emergency departments, to which patients turn when they cannot afford a doctor. For example, six thousand patients walked out of Monash Medical Centre's emergency department last year without seeing a doctor, a parliamentary committee was told. Southern Health staff said the average wait for non-urgent patients had blown out to five hours as hospital emergency departments became increasingly preferred to doctors who refused to bulk bill.

In the area of indigenous health, the estimated life expectancy of

indigenous people is an unconscionable 20 years below that of the total Australian population, and the median age of death is 53.

The crisis in mental health is less visible, but every bit as deadly. Ten years ago, Jason Bond, who suffered from a depressive illness, killed himself at age 20 after being discharged from a Melbourne hospital. His father Graeme wrote an article which appeared in *The Age* newspaper on March 17, 2004. After recounting the nightmare which led to his son's death, he summarised the more general crisis in mental health:

"In a recent letter to the Victorian Government, Dr. Peter Archer, director of emergency services at the Maroondah Hospital, re-ignited debate about the parlous state of mental health services in Victoria when he described how 13 patients admitted to that hospital had committed suicide in 13 months.

"He pointed to the inability of the facility to provide appropriate care for such patients due to a lack of psychiatric beds.

"In a letter to *The Age* on Feb 21, Patrick McGorry, professor of psychiatry at the University of Melbourne ... noted that suicide now kills the same number of people as road accidents.

"In Oct 2002 the Victorian auditor-general released the report *Mental Health Services for People in Crisis*. The statistics in the report are stark: 0 per cent of discharge plans met all the required standards; only 4 per cent of patient files met

audit standards; 0 per cent of individual service plans met all required standards; in only 6 per cent of cases was there evidence of carer collaboration in 'case closures'; carer psycho-education was absent in 98 per cent of files reviewed.

"One of the more bizarre amendments to the *Mental Health Act* implemented in 1995 was the removal of the whole of Section 7, which dealt with voluntary patients. Indeed, as far as the *Mental Health Act* is concerned, there is no such thing as a voluntary patient. They have ceased to exist. Along with the removal of voluntary patients went the right to appeal to the chief psychiatrist against being refused admittance to a public mental health facility.

"Dr. Archer said, 'It is only the fact that these patients have limited ability to access legal and complaints mechanisms that we are able to get away with the sub-humane care that they currently receive.'

"All admissions to the public mental health system are now as a result of assessment by a crisis and treatment (CAT) team attending a patient. A CAT team where I live is one person at the end of a phone outside of the hours of 9am and 7pm.

"When I last checked, the mental health region I live in had 25 acute beds for a population of 450,000.

"The needless deaths of many patients denied appropriate treatment is nothing less than euthanasia by neglect."

Graeme Bond's observations are consistent with the findings of the

1999 Report, "National Survey of Mental Health and Well-Being". Fourteen per cent of children and adolescents in Australia have mental health problems and only one out of every four young persons with mental health problems receives professional help. In the ACT alone, the suicide rate has been one a month for the past two years. And this includes only those patients who received treatment through the public health system. Almost one in ten people reported in the survey that they had a long term mental or behavioural problem and one in five (18 per cent) adults reported that in the previous two weeks they had used some medication for their mental well-being.

**Household Debt:** According to the *Economist* magazine ("A Global View of the Housing Boom and the Implications for Economies"), household debt as a percentage of average income in Australia rose to 140 per cent in 2003, from 85 per cent in 1996. This, too, reflects a collapse in living standards, since

people are forced to go ever deeper into debt just to cover necessities, or to attempt to maintain their previous standard of living.

**Taxation:** While housing, infrastructure, employment, and health care have plummeted, taxes have steadily risen. The latest Australian Bureau of Statistics (ABS) figures published April 1, 2004 reveal that Australians paid almost \$1600 each in GST alone last financial year, a 14 per cent increase on the previous year. The three levels of government took a total of \$237.5 billion in taxes or \$12,018 for each man, woman and child—an increase overall of 9.5 per cent in 2002-03. And Kenneth Davidson, columnist for *The Age*, cited figures on Nov. 20, 2003, to show that "the additional tax burden" since Howard/Costello took office in 1996, was an astonishing "\$2000 a year for every taxpayer." (Emphasis added.)

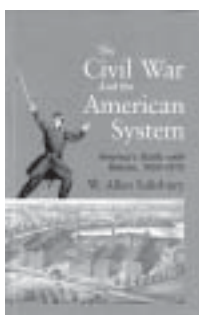
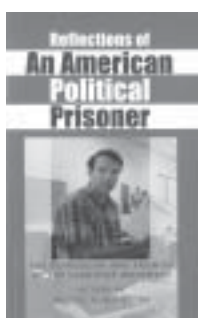
Where is all the money going? It is to pay the skyrocketing debt generated by the Mont Pelerin Society's economic rationalist policies.

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