

Citizens Electoral Council of Australia



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Pritchard echoes LaRouche:

The breakdown of the world system is here!

First, an economics lesson for all the economic illiterates with economics degrees: there is absolutely no way to save the world financial system—it's a classic catch-22; either most of the world's banks collapse under their unpayable debts and derivatives obligations, or the bailout required to save them creates Weimar Germany-style hyperinflation on a global scale.

Since the September 2008 collapse of Lehman Brothers, which took the world to the brink of the first possibility, central banks and governments have opted for the second—hyperinflation. (Faced with the choice of firing squad or boiling in oil, they chose the oil.)

Any economist who denies the above, and insists we are in a recovery, is either lying or illiterate.

Following Barack Obama's blocking in June of legislation to re-enact Glass-Steagall, on the back of the Greece/Spain Euro crisis, LaRouche said the system was finished. In August, when the U.S. Federal Reserve announced a new round of money-printing, "Quantitative Easing II", sparking a flash of speculation in commodities, LaRouche reiterated his statement, pointing out that we are in the same territory as the last few months of Weimar Germany in 1923, when money-printing was the only economic driver—before it all melted down.

Now, the highly-connected London *Daily Telegraph* economics editor Ambrose Evans-Pritchard has echoed LaRouche, in a dramatic fashion.

Ambrose wrote on 27th September, under the headline "Shut down the Fed (Part II)": "I apologise to readers around the world for having defended the emergency stimulus

policies of the US Federal Reserve, and for arguing like an imbecile naif that the Fed would not succumb to drug addiction, political abuse, and mad intoxicated debauchery, once it began taking its first shots of quantitative easing.

"My pathetic assumption was that Ben Bernanke would deploy further QE only to stave off DEFLATION, not to create INFLATION. If the Federal open Market Committee cannot see the difference, God help America.

"... So all those hillmen in Idaho, with their Colt 45s and boxes of krugerrands, who sent furious emails to the *Telegraph* accusing me of defending a hyperinflating establishment cabal were right all along. The Fed is indeed out of control.

"... Sooner or later we may learn what the Fed's hawkish bloc of Fisher, Lacker, Plosser, Hoenig, Warsh and Kocherlakota really think about this latest lurch into monetary la la land, with all that it implies for moral hazard and debt contracts.

"If I have written harsh words about these heroic resisters, I apologise for that too."

Pritchard's piece is illustrated by a picture of current Fed chairman Ben Bernanke and Rudolf Von Havenstein, with the caption: "Inflation targeting: is Bernanke the new Von Havenstein, head of the Weimar Reichsbank?"

[To read the whole text please go to: <http://blogs.telegraph.co.uk/finance/ambroseevans-pritchard/100007777/shut-down-the-fed-part-ii/#dsq-content>]

The only way to have a functional financial system, is to scrap the existing one and start again, as Lyndon LaRouche spelled out in his 24th September webcast entitled, "The New Economy." [To watch archived webcast go to: <http://www.larouchepac.com/webcasts/20100924.html>]

Find out how our environment can be transformed!



WHAT AUSTRALIA MUST DO
to Survive the Depression



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projects.

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27th of September 2010

Mortgage-stressed?

Rudd-Gillard increased home owners grant to make housing more expensive

First home buyers of the past two years have been bled—by their own government.

When the First Home Owners Grant was increased by the Rudd-Gillard government in October 2008, the public was told it was to support construction, and make housing more “affordable”.

For tens of thousands of young couples and families, that was music to their ears, having been locked out of the housing market by the skyrocketing house prices.

However, what they didn't know at the time, is that they were being marked as the future debt slaves who would prop up Australia's teetering housing bubble and banking system.

That mortgage stress that tens of thousands of you are now enduring? That's the weight of Australia's bankrupt financial system that you are now carrying on your backs.

As revealed—but only in passing—in the June 2010 book “Sh*tstorm” by *The Australian's* Lenore Taylor and David Uren, on the weekend of October 11-12, 2008, when Australia's financial system was on the brink, an emergency meeting of the Rudd government's Strategic Priorities and Budgetary Committee (SPBC)—Rudd, Julia Gillard, Wayne Swan and Lindsay Tanner—which included Treasury Secretary Ken Henry and Reserve Bank Governor Glenn Stevens, decided as one of their courses of emergency action to support the housing market, to reverse the slight fall in house prices and get them rising again.

How? By increasing the First Home Owners Grant. Use public funds to induce buyers to overcome their natural prudence and rush into the market, to drive up prices—which it did, by around triple the size of the increased grant. In other words, the worsening affordability of housing that occurred as a result of the increased grant wasn't an unintended consequence, it was the aim.

Taylor and Uren report, “Treasury's analysis had shown that, far from helping first home buyers get into the market, most of the benefit went to the people selling them their first homes, as the additional few thousand dollars was added to the price. ‘One of the risks in the Australian economy—and we saw it playing out in the U.S. and elsewhere—was the risk of house prices falling sharply. One of our concerns about the option

of the first home buyers scheme is that it gets house prices up and that was the point. In that week, we found ourselves quite comfortable with it for that reason. You're in a situation where bidding up house prices is not a negative,’ [Ken] Henry says.” [Emphasis added.]

It was that same weekend that the government propped up the banks with the twin guarantees—of deposits and of foreign borrowings—because the banks pleaded if they didn't, “they would be insolvent sooner rather than later” (*The Great Crash of 2008*, by Ross Garnaut and David Llewellyn-Smith).

But equally crucial to propping up the banks, was supporting their loans into the property bubble, for which most of the enormous foreign debt of Australia's banks—over \$800 billion, of which over \$400 billion was on 90-day-terms—was incurred.

And for that, 135,000 young couples and families were induced to rush into a mortgage, of which half are now mortgage stressed or severely mortgage stressed, and are waiting for the next interest rate rise to knock them over.

Citizens Electoral Council leader Craig Isherwood today condemned the government for using families to prop up the banks:

“Instead of implementing the CEC's *Homeowners and Bank Protection Bill*, to keep the banks functioning and keep families in their homes, the government lied and insisted the banks were ‘sound’, all the while planning to subject young ‘working families’ to extreme economic hardship, in a classic ‘behavioural economics’ manipulation, to prop up the bankrupt system,” he charged.

“And all it did was buy time,” he continued, “time which is now running out. The Commonwealth Bank and the Reserve Bank are loudly insisting there is no property bubble, hoping to forestall the inevitable collapse which will wipe them out. And the world financial system is dangling by a thread, holding on to the U.S. Federal Reserve's promise to print more money—Quantitative Easing 2—which means the system can no longer be saved.”

Mr Isherwood concluded, “The more the details emerge of how the governments and central banks bailed out the financial system in the past two years, the more it proves the only solution is to listen to Lyndon LaRouche.”

To compare the CEC's record to that of the growing chorus of leaders, including PM Julia Gillard, who claim that nobody could have seen this crisis coming.

ORDER DVD

For a copy of our feature DVD *Homeowners and Bank Protection Bill: The Only Solution*, one-hour documentary, call toll-free 1800 636 432 or send this coupon to: CEC, PO Box 376, Coburg, Victoria, 3058 and leave ALL your details. Price: \$10.00 + P&H \$2.50



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