Australian Alert Service

CITIZENS ELECTORAL COUNCIL

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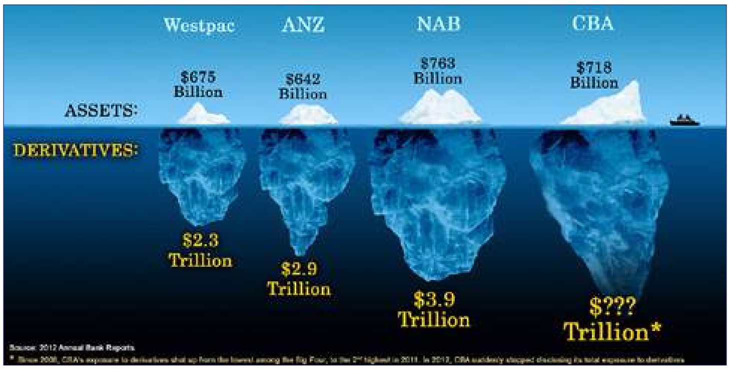
Audit the banks now, to avert catastrophe

The lesson of the 2008 crash is it's much better for governments to act on warnings of a looming crash, and address the cause, than wait until the crash happens and the economy and population plunge into chaos and misery. The CEC's call to audit the Big Four banks (p. 3) can provide the means to force the government into taking the pre-emptive action required to avert financial catastrophe, as detailed in the CEC's Five Point Program, including Glass-Steagall banking separation, a national bank, and a moratorium on home and farm foreclosures.

In consultation with experts, the CEC is preparing a short parliamentary bill to instruct the Auditor-General to conduct an audit of the Big Four banks. The bill will specify the parameters of the audit, in order to ensure it isn't just a cursory look at whether the banks' accounting complies with existing standards, as most audits are, but that it drills down into the banks' books to properly assess the risks facing the economy.



In 2014 the CEC first represented the derivatives exposure of Australia's banks as icebergs, with the real danger unknown, lurking beneath the water. A special audit of the banks will finally reveal the danger.

The specific requirements of the audit should include:

• the banks' home loan portfolios, the largest part of their businesses, which would include "marking to market" housing loans against the real value of the houses that are the security for those loans;

• the assumptions underlying the banks' provisions for bad debts, the money the banks put aside in case of defaults on loans—suspiciously, despite rising mortgage delinquencies, falling house prices and 400,000 households in negative equity (according to Martin North of Digital Finance Analytics), these bad debt provisions are currently very low;

• the banks' Internal Ratings-Based (IRB) models, by which the banks are allowed to assess their own risk and effectively set their own capital levels trough the ruse of "risk-weighted" capital—these models are very technical, so the Auditor-General would require assistance from independent experts who understand the complex mathematics and can spot the flawed assumptions, experts of the ilk of Wall Street whistleblower Nomi Prins or APRA whistleblower Dr Wilson Sy;

• a thorough investigation of the other main area of risk, besides mortgages, facing the banks, which is their multi-trillion-dollar exposure to derivatives speculation—the audit must assess the assumptions underlying the derivatives contracts, which experience has proved are always wrong, and therefore the true risk they present to the banks;

• other off-balance sheet exposures—besides derivatives, the audit should examine all of the risky activities that the banks have been allowed to keep "off-balance sheet", to make their books look better then they are.

As the 1937 Banking Royal Commission originally recommended, the Auditor-General should conduct these audits so the government can know if it needs to step in and take over bank in order to protect its deposits. Until last year, the confidence that the Australian public had in their banks was based on ignorance; that confidence has been shaken by the royal commission and falling house prices. For instance, to raise money earlier this month, Westpac had to offer the extra security of so-called covered bonds, instead of just selling normal bonds as it was able to do as recently as last year. A banking crash, and a desperation "bail-in" of depositors and other investors, will destroy that confidence completely. Conducting a special audit of the banks is the way the government can assure the public it is prepared to step in and take control of the banks if necessary, to protect their deposits and the economy.

In 2017, the alternative terms of reference for a banking inquiry negotiated between the Greens, Nationals, crossbench parties and independents forced the Turnbull government to jump before it was pushed and call the royal commission. This draft bill can put the same kind of pressure on the government and force real action to protect the Australian people from financial catastrophe.

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Regular organising

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* Brisbane weekly, call Jan 0427 508 008
* Caboolture area, call Rod 0413 949 918
* Canberra, weekly, call Mary 0412 944 345
* Cleveland/Wynnum, call Graeme 0429 050 055
* Ipswich area, call Des 0403 023 818
* Lyne electorate, weekly, call Graeme Muldoon 02 6553 4330
* Melbourne and regions call CEC office 03 9354 0544
* Nightcliff, weekly, call Trudy 0414 677 968
* Parap Market Saturday weekly 8:00 AM–2:00 PM
* Perth suburbs weekly, call Jean 0409 954 320 or Barry 0412 443 893
* Sydney, weekly, call Ann 0428 686 297 for when and where
* Toowoomba area call Jim 0418 728 240

JANUARY

24 (Thu)	Burleigh Heads, QLD—James St, call Ron or Jan,10:00 AM

FEBRUARY

2 (Sat)	Stones Corner, QLD—Tablesite Logan Rd outside empty shops, 10:00 AM–2:00 PM
5 (Tue)	Sandgate, QLD—Table outside PO, from 10:00 AM
7 (Thu)	Inala, QLD—Table in Inala Plaza shopping centre, 10:00 AM
13 (Wed)	Caloundra, QLD—Table in Bulcock St 10:00 AM–2:00 PM, call Jan
18-22 (M-F)	Brisbane, QLD—Literature tables organising various sites CBD, call Jan
23 (Sat)	Stones Corner, QLD—Table site 10:00 AM
28 (Thu)	Toowoomba, QLD—Organising, cnr Margaret & Ruthven Sts, 9:00 AM–1:30 PM

Call your State Secretary for more details or to notify of upcoming events.

QLD Jan Pukallus on 0427 508 008 or janpuk@cecaust.com.au
NSW Ann Lawler on 0428 686 297 or alawler@cecaust.com.au
WA Jean Robinson on 0409 954 320 or jeanr59@bigpond.com
VIC Noelene Isherwood on 1800 636 432 or nwi@cecaust.com.au
NT Trudy Campbell on 0414 677 968 (SMS if no answer) or trudy@cecaust.com.au

Read the latest organising report, page 15!

Australian Alert Service

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Audit the Big Four banks!

MEDIA RELEASE

18 Jan.—The government should direct the Auditor-General to conduct an independent audit of Australia's Big Four banks, in light of the collapsing property bubble to which the major banks are massively exposed.

Presently the banks are not independently audited. There is an even bigger "Big Four" that sign off on the banks' books, the Big Four global accounting firms, an accounting cartel which audits 98 per cent of the world's largest banks and corporations, and actively covers up the fraud and dodgy bookkeeping that has become the defining feature of the global financial system. The four firms are PricewaterhouseCoopers (PwC), Ernst and Young (EY), KPMG, and Deloitte.

An explosive new report commissioned by the UK Labour Party's shadow chancellor of the exchequer, John McDonnell, called *Reforming the Auditing Industry*, exposes the Big Four accounting firms as complicit in the crimes of banks and big corporations. These Big Four are supposed to conduct the independent audits of companies mandated by law, but they make two-thirds of their tens of billions in revenue from consultancy services to those same corporations. The banks that triggered the 2008 crash in London and on Wall Street had all received clean bills of health from Big Four auditors—some, like Northern Rock in the UK, just days before they collapsed. The report also documents a "parade of scandals" involving UK and multinational corporations which have collapsed after being looted by their management and major shareholders, robbing employees, pension funds and small creditors of enormous sums of money owed to them. In every case, the Big Four firms covered up the looting. And the Big Four firms have captured governments and regulators, the most glaring example being their influence over tax laws, which they help to write so that they can help their corporate and super-rich clients avoid paying them.

The report calls for the establishment of a statutory (public) auditor, to conduct truly independent and honest audits of all financial companies and the largest corporations, to which the regulators would have complete access. It also calls for the Big Four and all accounting firms to be broken up, to end the conflict of interest of firms that audit companies also providing consultancy services.

Independently audit Australia's banks!

The Big Four global accounting firms also dominate Australia's financial system. Most worryingly, PwC audits CBA and Westpac, EY audits NAB, and KPMG audits ANZ. Given their track record laid bare in *Reforming the Auditing Industry*, the Australian government and public can have no confidence in the Big Four auditors' reports of Australia's Big Four banks. Last year's banking royal commission has already shredded confidence in the major banks, proving that they are not the best banks in the world as was claimed. It's a small step to go from lying about their behaviour to lying about their financial position, assisted by their corrupt auditors. As the four major banks control 80 per cent of the banking system, and each have over 60 per cent of their assets concentrated in mortgages, with house prices plunging the government must direct the Auditor-General to conduct independent audits of each of the Big Four, to ascertain their true financial position and the level of risk facing the Australian economy.

Such audits would also expose more details of the criminality of the Big Four global accounting firms in Australia. On 29 November 2017, the Greens and the National Party agreed to include the Big Four auditors in their terms of reference for a banking royal commission to investigate; the next day, 30 November, a panicked then-Prime Minister Malcolm Turnbull hurriedly called the royal commission with different terms of reference, approved by the banks, in which the Big Four accountants were not included.

Conducting audits of the private banks was once a standard function of the Auditor-General. It was recommended in the report of the 1937 Banking Royal Commission, and first legislated in the 1945 *Banking Act*, and reaffirmed in the 1953 and 1959 *Banking Acts*. It remained a function of the Auditor-General until the establishment of the Australian Prudential Regulation Authority (APRA) in 1998, when the *Financial Sector Reform (Amendments and Transitional Provisions) Act* amended the 1959 *Banking Act* to allow APRA to appoint any firm to audit the banks. And which auditors has the failed and discredited regulator APRA chosen to use? You guessed it—the Big Four.

The reason the 1937 Banking Royal Commission report recommended the Auditor-General regularly audit the private banks was so the government bank, the Commonwealth Bank, would know if it needed to take over a failing private bank to protect its deposits, by either fixing up the private bank or closing it down and taking over its customers. Australia must face the reality of likely banking failures today: Australia's banks are more exposed to the collapsing housing bubble than their US, UK, Irish and Spanish counterparts were in 2008, when they were wiped out in large numbers. No other banks in the world have come close to having 60 per cent of their loans in mortgages; before their crashes, US and UK interest-only lending peaked at 25 and 18 per cent respectively of all mortgages, compared with almost 50 per cent in Australia in 2016; and Australia's household debt at 190 per cent of household income is much higher than in those other countries in 2008.

The Citizens Electoral Council has issued a five-point program for Australia to survive economic catastrophe, which includes a call for a moratorium on home and family farm foreclosures, to stop the banks from executing a US-style mass-eviction of homeowners in a housing crash. The policy would require the government to take the measures recommended by the 1937 Banking Royal Commission and know if it needs to take over the banks to protect the public's deposits, and either reorganise them or shut them down. Accurate audits of their books are therefore essential.

Banks struggle with bail-in capital requirements; go with Glass-Steagall instead

23 Jan.—The farce of bail-in is playing out in Australia right now, with the banks complaining to the regulator that they can no longer find suckers to buy the bail-in bonds that are supposed to be their buffer against a crash.

It's the latest example of why the whole bail-in system should be scrapped, in favour of Glass-Steagall laws that keep deposit-taking banks safe by separating them from risky investment banking and other financial services.

Bail-in is the scheme concocted by the Bank of England following the 2008 banking crash, and implemented through the Bank for International Settlements (BIS) and Financial Stability Board (FSB) based in Basel, Switzerland. Stripped of all of the confusing technicalities, their plan amounts to protecting banks from crashes by increasing their capital buffer against losses, instead of requiring them to stop the reckless financial gambling that causes crises in the first place. The buffer is called Total Loss-Absorbing Capacity (TLAC), at the centre of which are pernicious instruments known as "bail-in bonds"—hybrid securities that are sold as tempting, high-interest bonds, but which, when a bank runs into trouble, convert into effectively worthless shares in the bank.

Bail-in also includes deposits, which the FSB mandates can be written off or converted to shares to save a failing bank. The bail-in systems legislated in the USA, Europe, UK, New Zealand and Canada all include deposits in a bail-in; the Australian government snuck bail-in legislation through Parliament in February 2018, which they denied includes deposits, but which has loopholes big enough to drive a truck through that in an emergency can allow deposits to be bailed in. However, the government doesn't deny that its legislation includes bail-in bonds.

TLAC

On 8 November 2018, the bank regulator, Australian Prudential Regulation Authority (APRA), issued a paper that said the banks should raise $75 billion in extra TLAC capital by selling more so-called "Tier II" bonds, a.k.a. bail-in bonds.

On 14 January, Jonathan Shapiro reported in the *Australian Financial Review* that in their responses to the paper the banks asked APRA to reconsider the plan, because it would be too difficult to sell bail-in bonds in the current market.

Shapiro reported: "Westpac treasurer Curt Zuber said he supported the APRA proposal to build a large buffer in the form of Tier II capital in principle but said the global fixed income market had moved away from buying Tier II bonds. 'As we go through cycles, it is potentially problematic for the banks to get the volumes they need in an economic way for the system which allows for the balance we want to achieve,' he said."

This is a major admission, which reflects the growing concern that the financial system is in danger of another crash. With APRA's encouragement, Australia's banks were able to sell around $100 billion worth of bail-in bonds over the last 6-7 years. These bonds were very tempting to investors, for two reasons. First, they carried interest rates of up to 8 per cent, offering unbelievably good returns in the post-GFC low-interest environment.

Second, and more importantly, the investors assumed that because the bonds were being issued by Australia's major banks, which were touted as the strongest in the world, there was no risk that they would be bailed in. That's assuming they were even aware that these hybrid bonds *could* be bailed in. While the Bank of England, for instance, forbade British banks from selling bail-in bonds to retail investors, so-called mums and dads, on the basis that they might not understand their full risks, APRA allowed Australia's banks to aggressively target mum-and-dad investors, to whom they sold bail-in bonds amounting to $43 billion.

The Citizens Electoral Council was the first to warn investors that, contrary to their propaganda, Australia's banks weren't safe, and that they were being set up to wear the banks' losses. In an 8 July 2016 release headlined "Warning to Australian investors: Beware hybrid securities, a.k.a. 'bail-in' bonds!", the CEC warned:

"Australia's big banks are careening along a cliff's edge at breakneck speeds with ordinary investors strapped to their bumpers as human shock absorbers. Bank regulator APRA is allowing the big banks to sell to unsuspecting Australian investors products that are illegal for banks in other countries to sell to anyone but other financial institutions."

On 26 October 2017, Greg Medcraft, the outgoing boss of the Australian Securities and Investments Commission (ASIC), warned in testimony to the Senate that bail-in bonds sold to mum-and-dad investors were "a ticking time bomb". Medcraft said most investors would not believe that they would be bailed in, but, he emphasised, "Yes, they'll be bailed in. … Basically, they can be wiped out—there's no default; just through the stroke of a pen they can be written off. For retail investors … these are very worrying. They are banned in the United Kingdom for sale to retail. I am very concerned that people don't understand…."

Now, following the revelations of the Hayne Banking Royal Commission and with property prices plunging, the banks are effectively admitting that the market has less confidence in them—there aren't as many suckers willing to be human shock absorbers. Investors are more aware that if they buy bail-in bonds, there is a very real danger they will be bailed in.

Glass-Steagall

It is past time that we end this farce of bail-in, which is nothing more than a scam to prop up banks' gambling debts with their customers' and investors' savings, and instead impose real restrictions on financial gambling. And that means breaking up the banks along the Glass-Steagall division of commercial banks from investment banking and other financial services.

Glass-Steagall works! It protected the USA's banks from systemic crises while it was in force from 1933 to 1999, and it's what Australia needs to protect the people from the risks building up in our banking system. Whether or not the Hayne royal commission's final report due 1 February recommends it, the CEC has legislation in Parliament ready to go, the Banking System Reform (Separation of Banks) Bill 2018, that will do the job.

Will IMF's 2019 'financial sector assessment' demand depositor bail-in?

By Richard Bardon

Worries about the effects of a bursting Australian housing bubble are spreading around the world, sparking warnings from investment banks, ratings agencies and official bodies alike of the dire consequences to the global financial system should one or more major Australian banks go down—along with demands that the government take all possible measures, including the "bail-in" conversion of bank liabilities into capital, to keep those banks afloat. Already last December, Paris-based intergovernmental think tank the Organisation for Economic Cooperation and Development (OECD) called upon Australia to "prepare contingency plans for a severe collapse in the housing market … [which] should include the possibility of a crisis situation in one or more financial institutions", and touted the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018* as giving bank regulator APRA (Australian Prudential Regulation Authority) the "flexibility" to bail in deposits should the banks' existing capital prove insufficient to absorb losses.[1] A forthcoming review of Australia's financial sector by the far more influential International Monetary Fund (IMF) looks likely to produce more of the same. If so, it will help bring to a head the most pressing issue of this year's federal election (and beyond): Will the next government defy the supranational "money power" that has dictated Australia's economic policy for over 35 years? Or will it go through with bail-in—which both major parties conspired to legislate in virtual secrecy last February—to save the banks at the people's expense?

The IMF announced in a 19 January press release that Australia would be one of eight countries subject to a mandatory review in 2019 under the Financial Sector Assessment Program (FSAP), "an in-depth analysis of a country's financial sector … [which] serves as the principal tool for assessing countries' financial stability", and which per a 2010 agreement the world's top 25 national financial sectors (expanded to 29 in 2014) must undergo every five years. The IMF release states: "Australia experienced 27 years of uninterrupted economic growth, but now also sees a rise in household debt and a build-up of real estate exposure in a concentrated banking system. The assessment will examine the risks and vulnerabilities in the financial system, taking into account how regulators take measures to strengthen resilience and reduce risks. The assessment will also examine the effectiveness of banking, insurance, and financial market supervision; crisis management arrangements, as well as review the macroprudential policy framework, which includes the policies intended to minimise systemic financial risk."

No further details are provided, nor is a date set for the report's release. But the lengthily titled IMF briefing paper "Australia: Staff Concluding Statement of the 2018 Article IV Consultation Mission (Completing the Rebalancing after the End of the Mining Investment Boom)",[2] published 19 November 2018, cites several relevant preliminary findings of the FSAP, and so presumably foreshadows its likely recommendations.

1. "Housing forecasts turn dire as reality sinks in", *AAS* 12 Dec. 2018
2. Article IV of the IMF Articles of Agreement obliges member nations to "seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions", and to allow surveillance by the IMF to ensure compliance.

IMFBlog
INSIGHTS & ANALYSIS ON ECONOMICS & FINANCE

Countries in the IMF Financial Spotlight in 2019

In 2019, the IMF will complete 14 assessments under the Financial Sector Assessment Program, the principal tool for assessing countries' financial stability.

Australia: Australia experienced 27 years of uninterrupted economic growth, but now also sees a rise in household debt and a buildup of real estate exposure in a concentrated banking system. The assessment will examine the risks and vulnerabilities in the financial system, taking into account how regulators take measures to strengthen resilience and reduce risks. The assessment will also examine the effectiveness of banking, insurance, and financial market supervision; crisis management arrangements, as well as review the macroprudential policy framework, which includes the policies intended to minimize

Hazard ahead

The statement attempts to put a positive spin on the Australian economy, and so repeats many familiar platitudes. The country is experiencing "strong growth and declining unemployment", we are told, while the banks "are well capitalised and profitable", with capital levels that are "high in relation to international comparators", and are governed by a "robust regulatory framework". Yet the authors are forced to admit that hazards loom around every corner, and the tools do not exist to deal with them. Thanks to our major banks' dependency on foreign borrowing, "A sharp tightening of global financial conditions could spill over into domestic financial markets, raising funding costs and lowering the disposable income of debtors"—that is, interest rates would go up on mortgages and business loans, whether the Reserve Bank of Australia (RBA) cuts its cash rate or not. And since wage growth remains "weak" (in fact real wages, i.e. wages relative to increases in the cost of living as measured by the consumer price index [CPI], have not grown in more than a decade), "heightened systemic risks remain from high household debt levels and banks' concentrated exposure to mortgage lending".

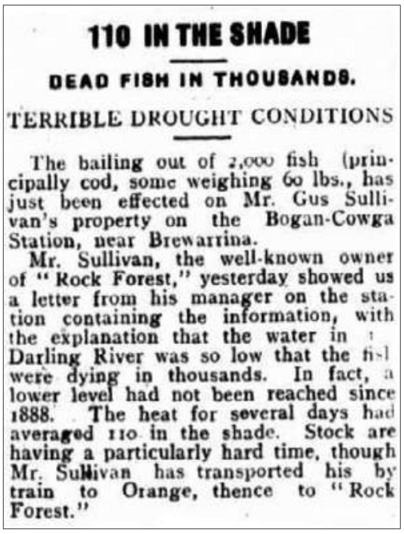
The statement therefore offers some suggestions from the FSAP to reinforce the otherwise (supposedly) "robust regulatory framework". Sensibly, it calls for more rigorous stress-testing of financial institutions, and recommends systemic risk oversight be improved by "strengthening the transparency of the work of the Council of Financial Regulators [APRA, RBA, the Australian Securities and Investments Commission (ASIC) and the Treasury] on the identification of systemic risks and actions taken to mitigate them". Had such measures been in place 20 years ago, the RBA might not have got away with removing housing costs from the CPI (thus removing its obligation to increase interest rates, which would have curbed mortgage lending), nor APRA with privatising the bank auditing process, as part of a *deliberate strategy to create a housing bubble* to prop up GDP figures, bank profits and the share market.

Instead of lambasting these failed regulators, however, the FSAP paradoxically recommends they be given yet more "independence and budgetary autonomy" (read, more money and power with less accountability), and calls upon the government to get to work "completing the resolution policy framework and expediting the development of bank-specific resolution plans". Translation: behind its bland bureaucratic façade, the IMF is every bit as worried about Australia's banks as is the OECD; so much so that it wants deposits formally designated as capital instruments in a bail-in (the only thing "incomplete" about the resolution framework), and would like so-called living wills drawn up for each and every bank as soon as possible.

Fish kill shows Murray-Darling Basin Authority failure

By Jeremy Beck

Numerous dead fish now floating down the Darling River and in the Menindee Lakes is more evidence that the Murray-Darling Basin Authority (MDBA) has mismanaged the basin, as the CEC has long documented. So-called "environmental flows" since the MDBA's notorious "Basin Plan" commenced in 2012 have flushed precious water into swamps and out to sea, and in the process caused riverbank erosion previously never seen. Now there's no water left when it's needed most! And the failure to build the Clarence River Scheme—which has been on the books in some form since at least the early 1920s—means that water from the flash flooding that hit the Clarence Valley in October 2018 did not get to flow down the Darling River.



110 IN THE SHADE

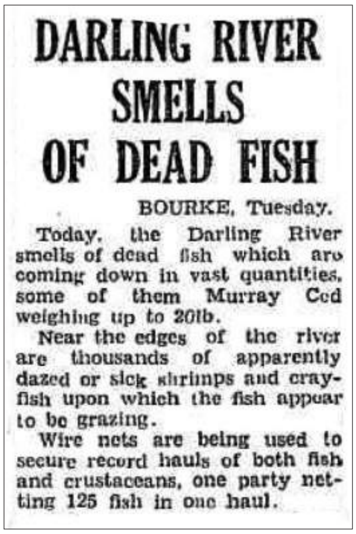
DEAD FISH IN THOUSANDS.

TERRIBLE DROUGHT CONDITIONS

The bailing out of 2,000 fish (principally cod, some weighing 60 lbs., has just been effected on Mr. Gus Sullivan's property on the Bogan-Cowga Station, near Brewarrina.

Mr. Sullivan, the well-known owner of "Rock Forest," yesterday showed us a letter from his manager on the station containing the information, with the explanation that the water in the Darling River was so low that the fish were dying in thousands. In fact, a lower level had not been reached since 1888. The heat for several days had averaged 110 in the shade. Stock are having a particularly hard time, though Mr. Sullivan has transported his by train to Orange, thence to "Rock Forest."

Bathurst Times, 11 Nov. 1914



DARLING RIVER SMELLS OF DEAD FISH

BOURKE, Tuesday.

Today, the Darling River smells of dead fish which are coming down in vast quantities, some of them Murray Cod weighing up to 20lb.

Near the edges of the river are thousands of apparently dazed or sick shrimps and crayfish upon which the fish appear to be grazing.

Wire nets are being used to secure record hauls of both fish and crustaceans, one party netting 125 fish in one haul.

Dubbo Liberal, 30 Jan. 1951

As of 22 January, the Menindee Lakes held a mere 3.6 per cent of their capacity. The lakes have an official nominal combined capacity of 1,731 gigalitres (GL), three and half times the capacity of Sydney Harbour, but during floods can fill to more than 2,000 GL. Under the "environmental flow" regime, water may be released to leave a mere 480 GL (28 per cent) in the lakes. Environmental releases from the lakes have enraged many locals at Broken Hill who depend on the water. They blamed a release of about 300 GL in late 2012 and early 2013 as contributing to the lakes running dry. Dam levels recovered in 2016 with good rains from August through to December. But from mid-December 2016 to present, dam levels have continuously trended downwards. Despite this, in October 2017 the MDBA ordered the release of about 70 GL of water, much to the horror of many locals as the ABC's Sofie Wainwright reported from Broken Hill at the time: "Given that Lake Victoria is 99 per cent full and there's more than 90 per cent water in Lake Hume, I was hoping that they wouldn't be considering [releases] until 2018", Lower Darling irrigator Rachel Strachan said.

These "environmental flows" were never based on sound science. Numerous reports identify that some of these flows are so damaging that several metres of river frontage are lost to erosion. Riverside trees collapse under these man-made floods and silt has been clogging up pumps and tanks at rates never seen before. The CEC reported in a media release on 14 December 2010 that Snowy Hydro, in government mandated "environmental flows", *was releasing 4,000-5,000 ML/day into the already flooded Murray and Murrumbidgee rivers*, risking increased flood damage.

Historical evidence

As bad as the current fish kill is, any simplistic talk of blaming "climate change" or "over-allocation of water rights" to irrigators ignores historical facts. *The Age* of 11 February 1903 reported that one Captain Anderson had recently described thousands of dead fish in the Darling River, "nearly all of them very large ones, on the surface of the river". The *Bathurst Times* of 11 November 1914 reported that in the Darling River, "the fish were dying in thousands". The *Murray Pioneer* of 4 June 1920 reported: "The River Darling is reputed to have recently reached the lowest ebb ever witnessed by the oldest inhabitant along its banks. … [It] had the effect of killing large numbers of fish in and around Wilcannia." In the NSW Parliament's Hansard of 16 October 1929, member for Murray Mat Davidson referred to "the fact that an excessive number of dead fish are being carried down the Darling River". The *Barrier Miner* (a Broken Hill newspaper) of 8 November 1929 reported the Darling River was very low and dead fish, some as large as 50 lb (23 kg), floated down the river from above Wilcannia (130 km north-east of Menindee) to Cal Lal (on the Murray River about 10 km from the South Australian border). "The cause of death is a mystery. One man, speaking on the matter, said: 'Of late there have been more dead fish than water coming down'." The *Dubbo Liberal* of 30 January 1951, with an article headlined "Darling River Smells of Dead Fish", reported that "The death of so many fish will mean years must elapse before they breed sufficiently to replace losses." Authorities were unable to explain the cause of this colossal fish kill.

Blue-green algae (cyanobacteria) are said to be the cause of the present fish kill. Warm conditions and low water levels assisted a massive bloom, but a cold front hit the region and killed the algae. Bacteria feeding on the dying algae sucked the oxygen out of the water. This killed the fish. But algal blooms in Australian rivers are not a new issue either. As the *Wagga Wagga Express* of 22 April 1933 reported, a conference of users of Murray River water was held at Echuca to discuss "every aspect of … pollution by algae, and its effect on the public health and the dairying industry".

Dam solution

The Clarence River Scheme is the answer. It addresses the algae problem too, as Prof. Lance Endersbee described in a speech to the CEC on 23 November 23 1997: "There is the catchment of the Clarence River and it is a wonderful little cup in there and very steep country, high rainfall and one of the highest rainfall areas in Australia, and they get the summer rains from the monsoons coming down and they get the winter rains as well. … So I have worked out, designed a scheme for the diversion of the Clarence into the Darling. Now, as you know, there are a lot of algae in the Darling…. This would flush all the algae out of the Darling." Prof. Endersbee went on to explain how hydroelectric generation capacity will make this scheme economic. But the economic advantages don't stop here! Flood damage in the Clarence region, costing many millions of dollars, will be mitigated in future. Billions of dollars' worth of new agricultural products will be generated every year. And rather than wasting $3.1 billion of taxpayers' money to purchase water, only to flush it into swamps and out to sea, the government could allocate such funds to help improve the lives of Australians for a change!

The real battle of Brexit—protecting the banks from a Corbyn prime ministership

By Elisa Barwick

23 Jan.—Following the defeat of British Prime Minister Theresa May's EU-negotiated Brexit proposal on 15 January, by the largest margin in the history of the House of Commons (230 votes), Labour leader Jeremy Corbyn tabled a No Confidence motion in the May government. May narrowly survived the vote—325-306—which under any normal circumstances she would not have, such has been the stalemate preventing the UK from successfully negotiating an agreement to exit the European Union. Why?

A successful No Confidence vote would have risked a general election, and given Jeremy Corbyn a chance to form a government; members of Parliament from both parties are under excruciating pressure to prevent such a possibility. And in fact the Brexit agreement contains sections expressly directed at preventing a future Corbyn government from implementing Labour party policy if he is elected.

The Labour party manifesto calls for Glass-Steagall style bank separation, which would prevent commercial banks from speculating, directing funding back into the real economy; and a National Investment Bank, along with a network of regional investment banks. Labour has pledged an investment revolution to fund a dramatic increase in manufacturing, technology and infrastructure, plus renationalisation of all essential services.

As *Canary* journalist James Wright wrote on 14 January, under May's Brexit deal the UK would have to abide by EU rules preventing state intervention, including limits on public spending (considered "state aid" under EU rules), which would screw up all of Labour's plans. ("May's Brexit trap extends legacy of Thatcher, Blair", *AAS* 16 Jan.)

Such spending restrictions are not accidental, but are part of a long-standing British and EU commitment to austerity policies to ensure the current global financial system survives. Corbyn's sweeping plan to charge the government with protecting, and the economy with serving, the many rather than the few, would throw the entire City of London-centred monetary framework out the window.

Public spending restrictions specified in May's deal are aimed at "handcuffing" a future Corbyn Labour government, said Wright, while a senior EU source involved in the withdrawal negotiations told the London *Times* that "the 'real battle' of Brexit was preventing a future Corbyn government transforming the UK economy."

Corbyn, who opposed the creation of the EU and the Maastricht treaty, showed his awareness of this aspect of May's Brexit abomination in a November 2018 interview with Sophy Ridge on Sky News, despite the fact, as he said, that "there's 500 pages in this document, much of which are actually quite vague". Corbyn said he opposed the EU's "state aid rules which limit to differing extents the ability of a government to intervene on its own economy, *like we would want to*".

He went on to explain that he "opposed the Maastricht treaty because it was bringing in an unaccountable central bank and it was moving in the direction of a free-market Europe". On the other hand, he stressed, he always "strongly supported the social measures that were brought in by the European Union which Mrs Thatcher so strongly opposed", including social cooperation and better workers' rights.

Labour leader Jeremy Corbyn gives Sky News's Sophy Ridge the bottom line on Brexit. Photo: Screenshot

The EU was a creation of the City of London and its Wall Street adjunct, modelled on the British neo-liberal economic model to shackle national governments and elevate central banks instead to prime position. Such a notion is otherwise known as fascism—unelected private individuals or entities controlling a nation.

The 'few' are worried

Given that some £20 trillion worth of derivatives will be rendered invalid unless they are renegotiated before the Brexit deadline on 31 March, the difference between a May and a Corbyn government could not be more decisive. While May continues both parties' long-term deference to the City of London, Corbyn has vowed to dislodge the City of London's "pernicious and undemocratic" control of UK politics and dominance of the UK economy.

Backing up the notion that the real battle afoot in the UK right now is more about Corbyn than Brexit, is an article in the 20 January *Times* headlined, "The rich are preparing to leave Britain if Jeremy Corbyn gets into No. 10". It reports that the super wealthy fear changing policies such as higher taxes and capital controls, and are buying real estate in places like Portugal or hiving away cash offshore.

Iain Tait of wealth management firm London & Capital summed it up: "I would say without question this is fear of Corbyn rather than fear of Brexit. But more recently the two are becoming harder to separate. People fear a messy Brexit because it could lead to a Labour government. They're symbiotically entwined."

As of writing, it appears there are enough votes in parliament to support extending the deadline for Brexit, in order to prevent a disorderly "no deal" exit from the EU, but support among the population (the "many") for a general election is growing.

There is no doubt of how high the stakes are for the City, with the Ministry of Defence already readying 3,500 troops to deploy across the country in the event of a hard Brexit, and in the last few days an order effective between 10 February 2019 and 9 February 2020 issued to put reserve military officers on standby.

BoE corporate debt report spooked Fed and ECB

By Paul Gallagher

21 Jan. (EIRNS)—Many British financial media are reporting on the statement of Bank of England chief Mark Carney to the House of Commons on 16 January, that the leveraged loan part of the "junk debt" bubble—which has become larger than the junk bond part—"has all the hallmarks of the subprime mortgage bubble" in 2008.

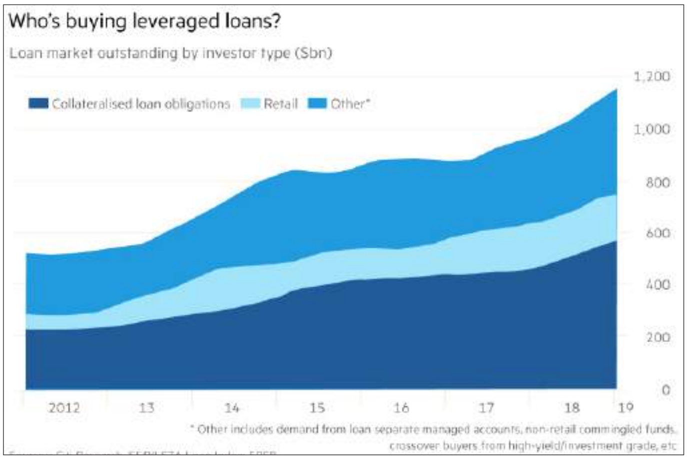
The BoE's research, which Carney was formally submitting to the Treasury Select Committee of the completely distracted House of Commons, put the size of the leveraged loan bubble in the United States and Europe at US$1.4 trillion, lower than other figures in the range of US$1.3 trillion for US corporations alone (Federal Reserve). But it estimated the exposure of banks, insurers, and pension funds to Collateralised Loan Obligation (CLO) derivatives based on leveraged debt at US$405 billion, considerably larger than previously estimated. The London *Telegraph* on 19 January reported, "It is understood the Bank's analysis raised fears among policymakers at the US Federal Reserve and the European Central Bank". It restated, "The research has caused shock waves at the world's top central banks", although those banks and the IMF have given their own warnings about junk corporate debt/derivatives triggering a financial crash.

But Reuters reported that Carney, when questioned by alarmed MPs, reassured them that the banks had all passed stress tests on leveraged debt.

"We are concerned just because the pace of growth has been quite rapid for some time", and the documentation is so poor, said Carney—nothing serious, mind you. The BoE also kowtowed to the large profits UK banks and shadow banks make from this debt sector.

"It's not just all bad. It's a source of major employment and profitability here. It lowers the cost of capital for investment", said Richard Sharpe of the BoE's Financial Policy Committee.

No new regulation whatsoever was proposed. The European Central Bank (ECB) and the Fed have both established guidelines that leveraged debt should not exceed six times a company's earnings before interest, tax, depreciation, and amortisation (EBITDA), but according to Fitch spokesman Peter Firth to Reuters, companies have responded by faking EBITDA and getting away with it.



One of the graphics from the 21 January *Financial Times* article, "Debt machine: are risks piling up in leveraged loans?" Source: FT

"The ECB's leveraged lending guidelines have had very little impact", Firth said. The pace of inflation of the bubble has only increased. The *Financial Times* reported today that one-third of *all* corporate loans of all grades in 2018, put the borrowing company's leverage above six times EBITDA. That is considered an over-indebted company.

According to the *FT*, the largest share of these loans is for corporate takeovers, and thus, supposedly, they are collateralised (by the unfortunate takeover target's assets). But, it says, since 80 per cent of all leveraged loans have no covenants—essentially, repayment terms—the acquiring company easily snatches the collateral out of the lender's reach.

FT's extensive article, full of charts, reports that the last 45 days of 2018 were a first shock or sign of coming crisis: US$16 billion net fled from loan funds, and average loan prices fell 3 per cent, the same drop as in August 2011 when the US government lost its AAA rating. Banks had to change the terms of their securitisations of leveraged debt, and started to take losses, turning to an increase in CLO derivatives to "offset" them.

Di Maio pushes Glass-Steagall on prime time TV

By Claudio Celani

18 Jan. (EIRNS)—Italian Deputy Prime Minister Luigi Di Maio, of the Five Star Movement, pushed Glass-Steagall on the popular "Porta a Porta" television talk-show yesterday. Di Maio was interviewed to explain government measures approved yesterday concerning basic income and pensions.

Following a long explanation on how those social measures will work starting in April, Di Maio was asked about the newest conflict with the European Union institutions regarding banks' non-performing loans (NPLs). "To demand that NPLs should be fully reset by 2026 means to tell Italy, which has one-third of all NPLs, 'close your banks'," Di Maio answered.

"Before intervening in Monte dei Paschi we must do three things", he continued. "First, a rule that separates speculative banks from commercial banks, from those banks that make loans to the real economy ... I mean, between banks that gamble on the stock market and banks that use our deposits to lend to the real economy. It is called *Glass-Steagall Act* [in English] and we must do it as soon as possible."

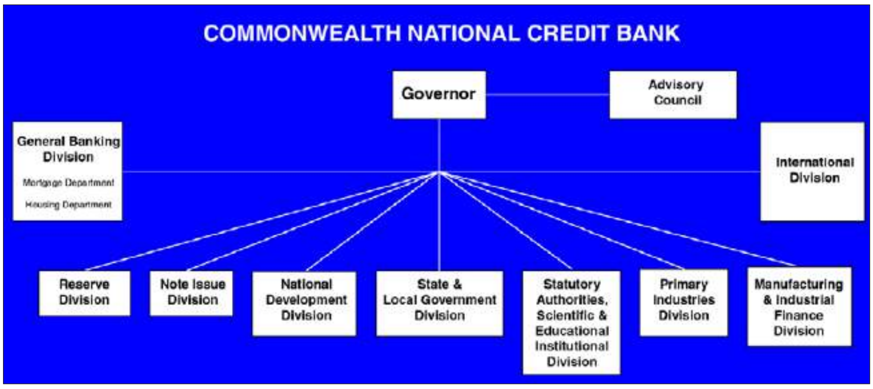
The host asked, do you want to go back to the old Banking Law, referring to the *1936 Banking Act* that was repealed in 1995 by now-European Central Bank President Mario Draghi, then general director of the Italian Treasury, and then-Prime Minister Giuliano Amato.

"I believe that Italy demonstrates that going back to good old practices of our fathers and grandfathers is not always a bad habit or a wrong thing. And in fact, many countries are going back into that direction. England, for instance, has started a process in the last years. It is a slow process", Di Maio said.

Di Maio also called for a "Public Bank for Investments". "The year 2019 must be the year when the Public Investment Bank, to help for investments and support firms, is created" as promised in the government coalition contract.

A national bank and foreclosure moratorium for Australia

An address to the Citizens Electoral Council of Australia's Victoria State Seminar on its five-point program to save the nation, by Craig Isherwood, CEC National Secretary, 1 December 2018



I've got the arduous task here of getting through some of the most important legislation that we're going to be fighting for, in the next period. And my job is to make the enormous amount of work—hundreds of hours of legislative-type work—simple. I'm going to be talking about a national bank: a "people's bank", a bank that controls the public credit of our nation. And the second legislation I'll be talking about today is the immediate moratorium on home and farm foreclosures.

I want to start with John Curtin, whom we all know. He said: "If the government of the Commonwealth deliberately excludes itself from all participation in the making or changing of monetary policy, it cannot govern except in a secondary degree." That's what we've got today, right? And that's what we've got to change. And John Curtin said this in 1937, after the process of the first banking royal commission.

So what we've done is revised our Commonwealth National Credit Bank (CNCB) bill. The original version was done in 1994 when we still had a Commonwealth Bank, and the idea was to take that Commonwealth Bank and change it back into a "people's bank". Except it got sold off—it got privatised, it got trapped in the mess. So what we've done is come in afresh, from all the experience that we've had in the recent period with legislation, and we've been able to re-draw this legislation based upon precedents, so that we have something we can put in tomorrow. We know there's another crash coming; we're going to have to act quickly. And by "act quickly"—I want to make it very clear: if there are no ideas out there, circulating, that politicians, if they've got their butts in a vice, can grab easily, then there are no solutions. Our job, as the Citizens Electoral Council, is to provide the ideas, based upon historical precedents, to provide the solutions.

So we've re-drawn this bank bill; but look, please understand: this is a political fight, first and foremost. Our political class has been captured by the banking system. The regulators, the politicians, everyone, want to turn their backs on what the reality is in the banks, and of course the royal commission is showing how the banks are literally pretending, and the politicians are pretending. There is a very important concept, however, that you guys—and the politicians—have to understand. And that is, they have to understand the difference between what is a monetarist system we have today, and a credit system, because they are two fundamentally different systems. One is destroying the country, and the other one will create the country. Our bank is, of course, a credit system, with these principles. If you want to understand more what the Commonwealth Bank has done in creating public credit, get a copy of our 2015 conference magazine [*The World Land-Bridge: Peace on Earth, Good Will towards All Men*]. And this synopsis by Michael Kirsch from the US LaRouche organisation on a detailed study of public credit [*Draft legislation to restore the original bank of the United States*]. Kirsch wrote: "A monetarist system constantly looks backwards to the past, with the aim of monetising the results of past production, rather than the creation of new wealth"—i.e. privatising everything; selling off the family jewels, the public infrastructure. "A credit system operates on the intention of, and confidence in, the future. Rather than relying on past production or stores of wealth, it creates wealth by tying the future completion of projects, and the production of goods and manufactures, to the original promise." Now think in terms of a major expansion of the economy, with major projects. Or, if you want to think in reverse: If you took away the Sydney Harbour bridge, which Jack Lang and J.J.C. Bradfield built, what would the commerce and the economic activity of Sydney be like today? How would it have been hampered, and how many billions and billions of dollars would have been lost, because that infrastructure wasn't built? But they had the foresight to build it, and it transformed Sydney's local economic area.

Alexander Hamilton, the USA's first Secretary of the Treasury under President George Washington, who was responsible for the first national bank in America, told the Congress in his 1795 *Report on the Public Credit* that public credit "is among the principal engines of useful enterprise and internal improvement. As a substitute for capital, it is little less useful than gold or silver, in agriculture, in commerce, in the manufacturing and mechanic arts. … One man wishes to take up and cultivate a piece of land; he purchases upon *credit*, and in time pays the purchase money out of the produce of the soil improved by his labour. ... It is by credit that he is able to procure the tools, the materials and even the subsistence of which he stands in need, until his industry has supplied him with capital; and even then, he derives from an established and increased credit the means of extending his undertakings." That is the principle of what our bank is first and foremost designed to do—*not* to maximise shareholder profit!

So that's what our bank does; and it is a far, far more powerful institution than people may give it credit for. It's going to regulate the private banks. It's going to guarantee the deposits in all commercial and retail banks, so that your deposits will be safe in the banking system. It will provide an avenue for people's savings and superannuation funds to be invested safely. It will extend credit to all levels of government for investment in public infrastructure, which will re-industrialise and rebuild Australia. It will provide credit assistance for farmers, manufacturers, entrepreneurs, and small business. It will protect the currency and public credit of Australia.

So how are we going to set this bank up? Let's look at its capital. This bank will issue debentures, in sums and on conditions approved by the Treasurer—because this bank is a government-owned bank, *run* by the government. Debentures are fixed-term investments that usually have fixed interest. But unlike most debentures sold commercially today, which are not covered by government guarantee, these instruments will be underwritten by the Commonwealth Government. They will be issued and sold in lots of $100, and the interest rate will be fixed by the bank. Now, think about classic banking: if the banks were to issue $100 billion in debentures, then under a conservative lending ratio of just 10:1, it could immediately lend $1 trillion. And to put that in context, the superannuation funds have $2.7 trillion in assets as at the end of June 2018; and I know there are many, many people out there asking, "Where do I put my funds?" So there won't be any shortage of capital for the bank, I can assure you. The Treasurer may also make advances to the bank for the bank's use and function—in other words, it's a government bank with access to consolidated revenue; so if there is some necessity for it to have access to that, it's got it.

Let's have a look at the various positions within the bank. The Governor and Deputy Governor will be appointed by the Treasurer, with the advice and consent of the Senate. They will hold office for a term of seven years, and will be eligible for reappointment. Why a Governor, and not just a board? Well, the Commonwealth Bank had very successful governor, Sir Denison Miller, from its inception in 1912 until he died suddenly in 1923. And he transformed the face of Australia, back in the World War I years, because he had the foresight and the vision to be able to direct the bank to do certain things, under the guidance of the government of the time—at the wishes of the government, actually.

Now you *could* have a board. Well, there *was* a board—and it destroyed the Commonwealth Bank, pretty much, after Denison Miller disappeared. You know the old adage: if you don't want any decisions made, appoint a board! But the point is—I have this joke, and maybe I'll tell it to Bob Katter one day: what happens when you appoint someone like Bob Katter as governor of this Commonwealth National Credit Bank? I mean, he used to run the state bank, the finances of the state of Queensland, so he knows this stuff. And it's a political issue, right? So it's an interesting idea.

Then there is also an Advisory Council to the management of this bank, designed to advise the Governor with respect to the economic, monetary and banking policy of the bank, and with respect to such other matters as the Governor refers to the Advisory Council. It shall consist of the Deputy Governor of the bank; the Secretary to the Department of the Treasury (which is a very powerful position, as we're finding out these days) and another appointee from the Treasury; two officers from the bank; and two representatives from each of the States and Territories of the Commonwealth, recommended by the Premier and Chief Minister of each State or Territory. So there is immediate input from the states at the top of this bank, advising the governor. The states are *not* left out; they are part and parcel of this process.

In terms of management, there is another very important principle: if there is a disagreement between the government of the day, and the bank, then there will be no "I bloody well won't!" attitudes from the bank, as was done in the 1930s when Commonwealth Bank Governor Sir Robert Gibson made that response to the Scullin Labor government, when Treasurer Ted Theodore tried to get £18 million in fiduciary credit to deal with the unemployment in the Great Depression. If we'd had that credit, we wouldn't have had a depression! Now, we didn't lose any banks in the depression; but if we'd had this credit, the intention was to employ 100,000 workers, fund the farmers, and so forth. As published in *Smith's Weekly* on 4 October 1930, Gibson said, "Mr Prime Minister, I have been asked to inflate the currency, and I bloody well won't." So the principle is that if the Treasurer—i.e. the government—and the bank are unable to reach agreement on policy, then the government may direct the bank to adopt its policy. Cut and dried; no grey areas.

We then have a series of divisions, and these are very similar to what we had in the 1994 draft legislation. The first is a **General Banking division**. And this is very important, because within this division, the bank shall have such powers as are necessary for carrying on and expanding a general banking business. It shall not refuse to conduct banking business for any person, even though such actions may have the effect of taking away business from another bank. That's taken straight out of the Labor Party's policy in the 1940s. In other words, this bank is not going to be subject to the whims of the private banks, but instead—"If you don't like it, come to us!" It means that if the private banks are screwing their customers, they can come to the CNCB. The bank will have a separate mortgage department, to deal with things like providing credit for people in farming—agriculture, horticulture, pastoral, and so forth; primary production. And more importantly it's going to have a housing department so that people can come and get a mortgage from the CNCB.

Think about that last part, please, because this bank is going to deal with all sorts of problems that we are facing in the future; and it requires a completely different political mindset, and political class, than anything we've seen in this country to date. Or actually, we've lost it—go back to Ben Chifley, and the old Labor Party, and you had this culture, this idea. In fact a lot of the ideas that we talk about in this legislation come from Labor Party legislation.

You've also got the **Reserve division**. The Reserve Bank of Australia is going to be dissolved; get rid of it. All the activities previously undertaken by the RBA will now be undertaken by this division. The reserve division is going to be responsible for the licencing and regulation of all banks—one regulator—as provided for in our National Credit Bank (Bank Regulation) Act, which is another piece of legislation that works in parallel with this national bank bill. Full Glass-Steagall requirements, that's the task of this division. APRA (the Australian Prudential Regulation Authority) will be retained, under supervision, as we've written in our [Glass-Steagall] bill that's in the Parliament now, because there are certain agreements relating to superannuation and insurance companies done with the state governments, to centralise the way that those institutions can be "supervised". But just remember, it's *not* going to be responsible for *any* activity relating to banks; that all comes under the CNBC.

You've got the **Notes division**, which currently is under the RBA and will be retained by the CNCB. This division will manage the issuing, re-issuing and cancellation of Australian banknotes; that's pretty straightforward. It would include the Royal Mint, and everything else to do with coinage and the production of banknotes.

Then, you have the **National Development division**. This division of the bank is responsible for building the infrastructure of the nation. It shall be responsible for the provision of credit for the establishment and maintenance of publicly owned infrastructure of national importance, including for example surface transportation and ports; water management and supply; drought, flood and storm protection; electrical energy production and distribution; and much, much more. There is one very important qualification: this bank will *not* direct credit to *any* Public-Private Partnership-funded projects, nor to any infrastructure projects not intended to be publicly owned, operated and controlled. End of story.

The **State and Local Government** division, that one's pretty obvious. There's a lot of boring infrastructure that gets built, that doesn't win votes—like sewerage, right? Stuff like that. It loses votes if it floods and clogs the drains, but it's something people don't win votes over—"I'm going to build a sewerage system in your electorate!" Oh, great. Wow. Not very sexy, right? So the local councils, instead of going overseas to equity firms, and getting into all sorts of derivatives deals to try and make money, can come to the CNCB and say, "look, we need to build this unsexy infrastructure". The bank can also provide money for housing for families with low income, to try and get rid of slum areas; and to build publicly owned bridges, tunnels, docks, sewerage programs, viaducts, waterworks, canals and so forth, exactly as the original Commonwealth Bank did.

The next division is the **Statutory Authorities, Scientific and Educational Institutions division**. This division shall be responsible for the provision of credit to provide for the capital costs of land, buildings, plant, machinery and other tangible items—as well as for scientific and technological research and development costs—for statutory authorities, scientific and educational institutions, with a view to increase both the physical output of the nation, and the rate of introduction of new technologies into the economy. Right now, under monetarism, if your project doesn't raise money at the end of it, you don't get funding. So if you've got a good idea, and it's going to develop technology for the country, but it's not "self-funding" in a sense—no money for you! And that's why the CSIRO was set up, originally: to allow for that sort of development, so that you had a "brains trust" for development, you might say, in the country. That's what the CNCB will fund—because creativity, developing the creative powers and discoveries of our scientists and our researchers, is absolutely paramount.

The **Primary Industries division** is pretty self-evident. Its role will be supporting and providing credit for family farmers and others involved in primary production. That is, the cultivation of land, the maintenance of animals and poultry; anything that feeds and clothes us, fishing operations, forest operations. But also industries that support primary industries in the manufacture of those products, such as dairy processing for example. So it's pretty obvious what we need this Primary Industries division to do.

The **Manufacturing and Industrial Finance division** will facilitate and encourage, provide advice, assist, and provide finance for the establishment and development of industrial undertakings, particularly small undertakings. We want to build, like we used to have, lots and lots of small manufacturers that are very diverse. Another interesting aspect to this—and it's the only division of the bank that has this—is that there shall be a General Manager of the Manufacturing and Industrial Finance division, who shall be appointed by the Governor and shall hold office as determined by the Governor. The reason for this, is that in this particular division *you don't want a banker running it*. You want to go back to what happened in World War II, when John Curtin brought in Essington Lewis as the Director of the Munitions Department. Lewis was the managing director of BHP, a tough old coot I believe. But he knew how to run things; he knew how to make the country work. So when you have someone in charge of this division of the bank, they actually have to know how industrial processes work, how manufacturing processes work. Not a banker! Leave them out of it. They're unqualified.

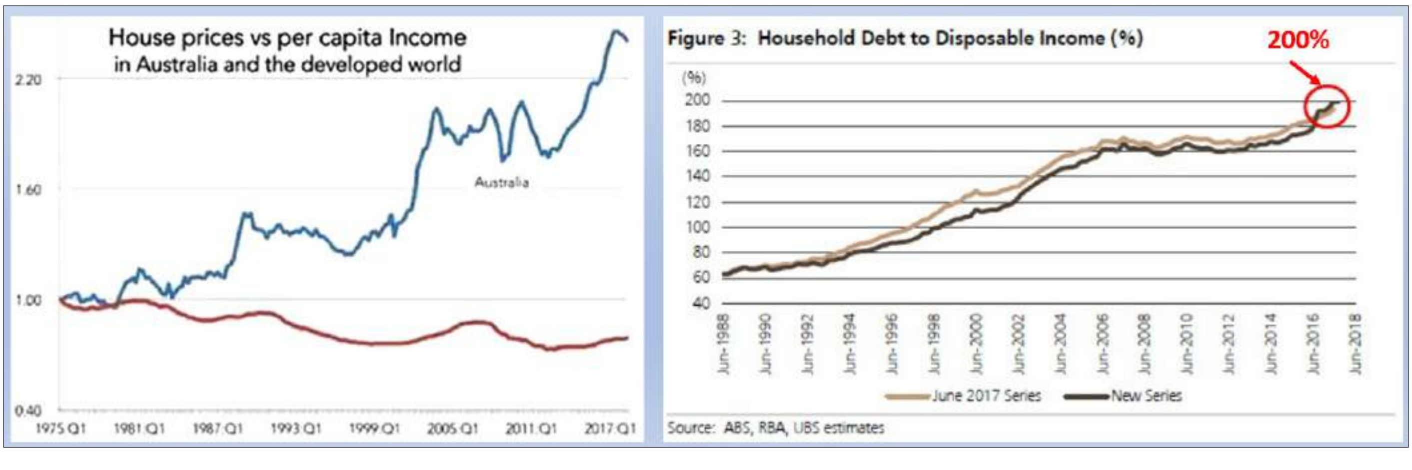
And then of course you've got the **International division**. It'll be responsible for things like the administration of foreign exchange controls, the provisions relating to gold, and the exchange and clearance of financial instruments and other international matters. This is all very complex, there are about 30 pages in the legislation on this.

So that gives you an outline of what our national bank does. And I want you to keep that in mind as I go through this next section, because we aren't going to survive as a country without this institution. We are looking now at this question of how we are going to deal with the one million people who are in mortgage stress at current low rates of interest, in the current economic circumstances that they find themselves in.

I want to go back to an initial example of this that was used by US President Franklin Roosevelt in 1933, to deal with the millions of people who were losing their homes. Delinquency on mortgages was through the roof. He set up the Home Owners' Loan Corporation (HOLC). Typical HOLC loans before 1939 were a 15-year loan, compared with the three- to six-year mortgages offered by commercial banks, and ten- to twelve-year loans offered by building and loan societies, in the 1920s. Interest from the HOLC was 5 per cent, then lowered to 4.5 per cent after 1939, while most mortgage loans were offered at 6-8 per cent. HOLC loans were typically amortising, so that there are equal payments per month on the loan, contrasting with the interest-only loans of the 1920s, which were rolled over like they are or have been today. The IO loans that Denise Brailey was talking about, right? This is what was happening in the 1920s—until such time as they couldn't, and you had this massive dislocation.

The HOLC in 1939-45 made slightly more than one million loans. The typical borrower whose loan was financed

Fig. 1



by the HOLC was more than two years behind on payments of the loan, and more than two years behind on making tax payments on the property.

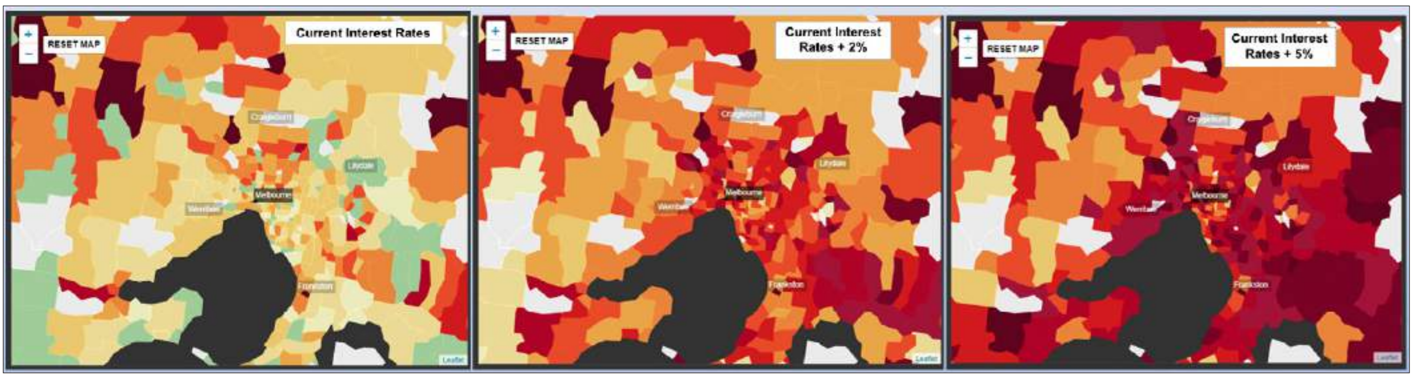
The HOLC, of those one million loans, eventually foreclosed on 200,000 houses, or 20 per cent of the loans it made; but it did wait for at least a year before action. So this wasn't a charity; this was "If you are prepared to make this work, then we will work with you." But what happened after foreclosure, is that the HOLC tendered to refurbish the homes, and then rented them out. Because they didn't want to put all these houses on the market at once—that would just smash the housing market. And when it closed in 1951, the HOLC actually turned a small profit.

So what's the difference? We are dealing with an unprecedented crisis. There was no housing bubble in 1920! Now, we have a massive housing bubble, and there is absolutely no precedent for this in terms of legislation, in this country or around the world, at this stage. Have a look at the graph on the left there (**Fig. 1, p. III**), and you will see housing prices versus per capita income in Australia, in blue, (going up); and in the developed world, going down. And have a look at the household debt to disposable income: *200 per cent*. This is unprecedented. And if you have a look just at Melbourne—this (**Fig. 2**) is taken from Digital Finance Analytics. This is mortgage stress: the more stress, the darker the red; and you're looking at 70-80 per cent in an area in mortgage stress, for the darker red. We have, already, one million households across Australia that are in mortgage stress, at current interest rates. You can see that in Melbourne, just with current interest rates-plus-2 per cent, you can see the massive increase in red. Go to 5 per cent, you can see significantly more red—total catastrophe; 70 per cent or more of mortgages will be in stress. That would be an interest rate of about 10 per cent. In 1988, when we started the CEC, I had a small business loan that was 19.5 per cent. So don't say that this can't happen. It very much can happen; the question is, what are we going to do about it?

None of today's thinking is going to deal with this, so we have written the Productive Industries, Farm and Domestic Debt Moratorium (Crisis Amelioration and Restructuring) Act 2018. This act allows the Treasurer to declare a crisis—either a financial crisis or a natural disaster—after which the provisions of this act come into force for at least 12 months. Once declared, foreclosures or any actions on mortgages and debts associated with people's primary place of residence, family farm or other productive Australian industry cease. Full stop. The act provides for the establishment of a mortgage review tribunal, which provides a means whereby people can gain relief from high interest and inflated loans, in favour of low-interest sustainable loans; and other means of relief from unsustainable debt. This is *not* a general debt moratorium: your credit cards, your car loans, your investment loans, your investment properties, and all the other general loans are not covered by this. This is to keep people in their homes. Some people may have five or six investment properties, and they've got a family home that's mortgaged to the hilt, but there are five or six kids who live in that home. What are you going to do, kick them out in the street? No. They might lose those other five or six investment properties, but their primary place of residence is going to be protected. The mortgage review tribunal will determine any future actions in respect of mortgages associated with these primary residences, family farms or productive businesses. The write-down of housing values, for example, and the write-down of mortgages. You know we've got a housing bubble in this country. What's going to happen if housing prices fall? How far are they going to fall? What mechanism is the government going to use to protect people from the "free market"? We don't know where the bottom is in a potential crash. So it might be that the mortgage review tribunal makes a recommendation to the government that we need to write off 50 per cent of house values. And that's going to require a political process—going to Parliament for an Act—to create that process.

This is where the CNCB's General Banking division comes in. If we have a national bank that has the power to do general banking business, with a mortgage division and a housing division, the housing division could do *exactly* what the HOLC did: reassess all housing mortgages. Now, this would be huge; but it would be *ordered*. The fact is that if you're writing down house values, and there are mortgages attached to them—because the banks, via all the corruption that Denise has spoken about, have inflated those mortgages and house prices and created the property bubble. And if a bank has got to deflate, cut its mortgage values in half, and it might become bankrupt—*who cares?!* The CNCB will just take it over. The power of government can do these sorts of things. Take it over! We don't have to say to the private banks, "We are going to protect you. We're going to look after you." With a national bank of this type, you're going to say: "If you don't behave yourself, you can go bankrupt. But if you do this, we'll look after you. We'll figure out a way; we can issue credit, we can support you, and so forth—but under *these* terms." That's the completely opposite way to what we have today. But it comes back to this: we have to get government into the primary role in running the country, and banking policy—not some secondary back seat.

Fig. 2



FEATURE

Australia ups ante on Five Eyes campaign vs. China

The Five Eyes intelligence agencies accuse all Chinese companies of being agents of the state, but the same agencies require all private companies in their own countries to do the bidding of their supranational, anti-democratic surveillance apparatus.

By Elisa Barwick

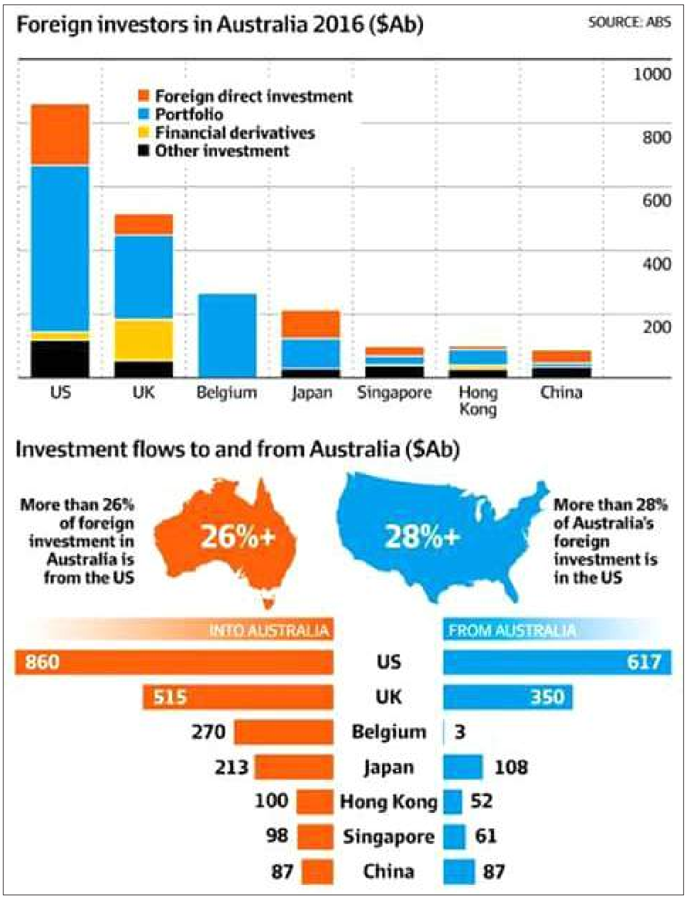
Two of Australia's top spy chiefs are leading the charge to implement an upgraded Five Eyes plan to counter China's foreign outreach. Over the last year, the Five Eyes spying alliance, comprising the UK, USA, Canada, Australia and New Zealand, has held special meetings to discuss China, in combination with its campaign to create a global security and spying infrastructure, a.k.a. a global police state **(box, p. 10)**. China's advanced, market-dominating digital and technological capabilities pose a threat to that plan.

According to the *Australian Financial Review* of 16 January, Australia's Foreign Investment Review Board (FIRB) now believes there is no such thing as a private company in China, in what is a snub to our largest trading partner and a threat to the 2014 China–Australia Free Trade Agreement (CHAFTA). The head of the FIRB, David Irvine, is a former head of ASIO, the Australian Security Intelligence Organisation (2009-14), and director-general of ASIS, the Australian Secret Intelligence Service (2003-09). He also served as Australian Ambassador to China (2000-03) and Papua New Guinea (1996-99).

Though thresholds cited on the FIRB's website remain unchanged, *AFR* cites "a senior figure with direct knowledge of the FIRB board's thinking" on the decision to effectively treat all Chinese companies as agents of the Communist Party of China; Irvine publicly refutes the claim. Under CHAFTA, thresholds triggering FIRB scrutiny of private Chinese investment were raised, in line with other countries with which we have trade agreements, while all state investments were still subject to review. According to *AFR*'s source, this will change and there will no longer be a distinction between Chinese state and private investors. All deals would be scrutinised, because "Chinese companies will do as they are told" by the government, the source said.

Irvine stopped Hong Kong company Cheung Kong from taking over gas distributor APA Group, and State Grid from taking over NSW electricity distributor Ausgrid (which the Citizens Electoral Council also opposed); but is he as scrupulous when it comes to foreign investment from the USA, UK, or Belgium, whose share in the foreign takeover of Australia is much greater than China's? (graphic) Crucial infrastructure should not be outsourced or sold off—*to anybody*; this should include healthcare giant Healius (formerly Primary Health Care), which would dissolve concerns over access to sensitive data.

As the FIRB shift was being reported, the head of Australia's peak intelligence body, Nick Warner, was in Vanuatu with Prime Minister Scott Morrison during his visit to that South Pacific nation and Fiji in an effort to coax Pacific Island nations to put Australia ahead of China when it comes to economic, military and security arrangements. While Morrison claimed his interest in the region was not in reaction to China's rising influence, his insistence that "We're here because ... they are our neighbours and family" was undermined by the fact that it was the first visit by an Australian leader to Vanuatu in 29 years, and the first to Fiji in 13.



These graphics show that Chinese investment in Australia is greatly exaggerated, and that Australia invests as much in China as China does here. Australian government policy is at fault when it comes to foreign investment, not China's. Source: *AFR*

Warner, who is director-general of the Office of National Intelligence, which oversees all Australian intelligence agencies, had played a key role in sinking Chinese telco Huawei's deal to build an undersea internet cable linking Papua New Guinea and the Solomon Islands with Australia, which was to have been funded by China's Exim Bank. This was achieved with the Australian government's rival offer to build the cable, paying two-thirds of the cost itself—after it suggested it would not allow Huawei to land a cable connection in Australia. According to journalist John Kehoe, writing in the *AFR* on 16 January, Warner was "instrumental in convincing the Coalition government" to take this road. Like Irving, Warner has specialised in the Pacific region. His near 20-year stint at the Department of Foreign Affairs and Trade (DFAT) included roles as High Commissioner to PNG, First Assistant Secretary for the South Pacific, and Special Coordinator of the Regional Assistance Mission to Solomon Islands (RAMSI). He also served as Secretary of the Department of Defence (2006-09) and was head of ASIS (2009-17).

China's National Intelligence Law

Author of the *AFR* article about the FIRB policy shift, Angus Grigg, backed up his story with comments from Danielle Cave and Tom Uren of the anti-China Australian Strategic Policy Institute (ASPI), who assert that Beijing's National Intelligence Law, passed in June 2017 and amended in April 2018, makes Chinese companies beholden to the state. Article 7 of the laws states: "An organisation or citizen shall support, assist in and cooperate in national intelligence work in accordance with the law and keep confidential the national intelligence work that it or he knows."

This puts in black and white "what intelligence agencies around the world have long known, but struggled to articulate to parliaments or government departments", the pair told *AFR*. China's President Xi Jinping is, according to Grigg, using the private sector "to help fulfil the country's larger strategic and economic goals".

Unmentioned is that the Five Eyes uses exactly the same technique to achieve its strategic and economic goals, and it pioneered the method. In fact, responding to the 1 December 2018 arrest of Huawei Deputy Chair and Chief Financial Officer, Meng Wanzhou, China's Ambassador to Canada Lu Shaye revealed in an article for Ottawa's *Hill Times* that "When making laws for national security and

The secret plans of Five Eyes

• Reuters revealed in a 12 October 2018 article, "Exclusive: Five Eyes intelligence alliance builds coalition to counter China", that the Five Eyes alliance has been working with like-minded partners, including Germany and Japan, to expand a "broadening international front against Chinese influence operations and investments". Consultations on the topic "have been frequent and are gathering momentum", according to a US official cited in the piece. Several officials in four capitals spoke to Reuters. Another said the talks were taking place "below the radar", mainly in bilateral formats, and have included heads of government, diplomats and intelligence chiefs. The article stated that the Five Eyes summit in August 2018 in Queensland (below) had hinted at closer coordination and "global partnerships".

• A 13 December *Australian Financial Review* article, "Secret meeting led to the international effort to stop China's cyber espionage" by Chris Uhlmann and Angus Grigg, revealed details of Five Eyes meetings in Ottawa and Nova Scotia, Canada, in July 2018. "In the months that followed that July 17 dinner an unprecedented campaign has been waged by those present—Australia, the US, Canada, New Zealand and the UK—to block Chinese tech giant Huawei from supplying equipment for their next-generation wireless networks", reported the article. This culminated in the arrest of Huawei chief Meng, the authors went on. Allies like Japan and Germany were to be included in the effort.

Following the gathering, *AFR* continued, top spy chiefs made a series of rare public addresses about locking out Huawei from 5G. After Australian PM Malcolm Turnbull made a mid-August 2018 phone call to US President Trump to tell him Australia would exclude Huawei and ZTE from 5G development, Director-General of the Australian Signals Directorate (ASD) Mike Burgess became the first in his position to give a public speech regarding 5G on 29 October. Duncan Lewis (ASIO head) and Paul Symon (ASIS head) were there supporting him—all had been at the Canada meetings. New Zealand announced its ban on Huawei seven days after the Burgess speech; then on 6 December Canadian Security Intelligence Service head David Vigneault made his first public speech on the threat—like all the rest he didn't mention Huawei by name. The following day, MI6 boss Alex Younger gave a rare speech on the same topic. Later that day British telco BT Group announced it would not use Huawei technology in its 5G network. But a private British company would never be influenced by a state-directed intelligence organisation, right?

• Australian Home Affairs Secretary Michael Pezzullo spilled the beans prior to the Five Country Ministerial meeting (Five Eyes) held 28-29 August 2018 on the Gold Coast, that the Five Eyes countries were pushing for a global police-state capability, with a "transnational model of security". ("Five Eyes plan global police state", *AAS* 22 Aug. 2018)

Pezzullo laid out the Five Eyes plan in two speeches in Washington, DC in June and in Canberra in July in the lead-up to the otherwise top-secret forum. We "need to *re-think the paradigm that domestic security and law enforcement can be exclusively executed within national jurisdictions*", he said. (Emphasis in original.) Up until now this was "the prevailing paradigm", he said, "and understandably so in a world of nation states; the world that emerged in that same 17th century after the Peace of Westphalia." The transformation of the state itself would be required, he contended, as the world moved towards a global security model—obviously under the direction of the Five Eyes.

• At the Commonwealth Heads of Government Meeting (CHOGM) in London on 19-20 April 2018, PM Turnbull had signed Australia up to a new cyber security pact forged by the 53 member nations, extending the collaborative relationship between the Five Eyes (four of which are Commonwealth countries) into a broader network. On the sidelines of the meeting, Australia and the UK signed up to a new joint strategy to work together at the operational level to target cyber crime, piloting "new tactics, techniques and capabilities" and coordinating "global responses" to attacks. With the UK negotiating its exit from the European Union, the Commonwealth has been recognised as a crucial conduit of British influence across the globe, via its "Global Britain" plan. ("'Global Britain': an attempt to retain power as global balance is disrupted", *AAS* 16 January 2019)

• The *National Security Legislation Amendment (Espionage and Foreign Interference) Act* 2018, which passed the federal parliament on 28 June, established an unprecedented state-secrecy regime smothering freedom of speech, association and political communication, in the name of curbing so-called foreign influence. ("Resistance builds to Turnbull's totalitarian 'national security' laws", *AAS* 7 Feb. 2018; "Officials warn 'foreign influence' laws undermine parliamentary privilege", *AAS* 4 Apr. 2018) It was actually part of a globally coordinated campaign aimed at outlawing China's desire for international cooperation. London's *Financial Times* revealed on 27 June 2018, in "Australia leads 'Five Eyes' charge against foreign interference", that the push for foreign interference laws was occurring under the Five Eyes umbrella.

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Why the double standard on justice for Canadians, Chinese?

It seems that, to some people, only Canadian citizens should be treated in a humanitarian manner and their freedom deemed valuable, while Chinese people do not deserve that.

Lu Shaye

Recently, China's competent authorities took compulsory measures in accordance with the law against two Canadian nationals who are suspected of engaging in activities that endanger China's national security. Some Canadians and some in the Canadian news media, in disregard of China's judicial sovereignty, accused China of arbitrary detention and demanded their immediate release.

However, on the prior groundless detention of Chinese citizen Meng Wanzhou by Canada at the behest of the United States, these same people made utterly different comments. They insisted that Canada's detention of a Chinese citizen who was transferring planes at the airport was "acting in accordance with law," though Meng has not been charged with any violation of Canadian law.

It's understandable that these Canadians are concerned about their own citizens. But have they shown any concern or sympathy for Meng after she was illegally detained and deprived of freedom?

Without violating any Canadian law, Meng was arrested last month and put in handcuffs just as she was changing planes at the Vancouver International Airport. It seems that, to some people, only Canadian citizens shall be treated in a humanitarian manner and their freedom deemed valuable, while Chinese people do not deserve that.

When China called on the Canadian side to release Meng and ensure her legal and legitimate rights and interests, those elites claimed in the media that Canada is a country of rule of law and has an independent judiciary, and therefore it must comply with the judicial proceeding. However, in the case of detention of Canadian citizens in China who violated China's law, those elites completely dismissed China's law and presumptuously urged China to immediately release their citizens. It seems that, to those people, the laws of Canada or other Western countries are laws and must be observed, while China's laws are not and shouldn't be respected.

Something is considered as 'safeguarding national security' when it is done by Western countries. But it is termed 'conducting espionage' when done by China. What's the logic?

Some people in Canada, without any evidence, have been hyping the idea that Huawei is controlled by the Chinese government and poses security threats to Canada and other Western countries, and that Chinese law requires China's enterprises to collaborate with the government in espionage activities. However, these same people have conveniently ignored the PRISM Program, Equation Group, and Echelon—global spying networks operated by some countries that have been engaging in large-scale and organized cyber stealing, and spying and surveillance activities on foreign governments, enterprises, and individuals. These people also took a laissez-faire attitude toward a country that infringes on its citizens' privacy rights through the Patriot Act. They shouted for a ban by the Five Eyes alliance countries (Australia, Canada, New Zealand, the United Kingdom, and the United States) on the use of Huawei equipment by these countries' own enterprises, which is literally a government-controlled action.

When making laws for national security and intelligence, China has drawn references from the relevant laws of the U.S., Canada, and other Western countries. Something is considered as "safeguarding national security" when it is done by Western countries. But it is termed "conducting espionage" when done by China. What's the logic?

Canada, pulling a few individual countries such as the U.S. and the U.K. on its side, pressed China in the name of "the international community" to release its citizens. Do a handful of Western countries really represent the whole international community? To those would-be representatives of the international community, non-Western countries are not members of the international community and only their countries can call the shots on international affairs.

I have recently heard a word repeatedly pronounced by some Canadians: bullying. They said that by arresting two Canadian citizens as retaliation for Canada's detention of Meng, China was bullying Canada. To those people, China's self-defence is an offence to Canada. If someone slaps you on your left cheek, give him your right cheek, they told us. But I have never seen them doing as they said.

The reason why some people are used to arrogantly adopting double standards is due to Western egotism and white supremacy. In such a context, the rule of law is nothing but a tool for their political ends and a fig leaf for their practising hegemony in the international arena. What they have been doing is not showing respect for the rule of law, but mocking and trampling the rule of law.

Lu Shaye is the Chinese ambassador to Canada.

The Hill Times

Huawei chief financial officer Meng Wanzhou, pictured at a 2014 investment forum in Russia, was arrested at the Vancouver International Airport last month and is awaiting potential extradition to the United States. *Photograph courtesy of the Kremlin*

Chinese Ambassador to Canada Lu Shaye's article in the *Hill Times*; Huawei Deputy Chair Meng Wanzhou.
Photos: Chinese Embassy Canada; AFP/Eyepress News

intelligence, China has drawn references from the relevant laws of the USA, Canada, and other Western countries. Something is considered as 'safeguarding national security' when it is done by Western countries. But it is termed 'conducting espionage' when done by China. What's the logic?"

Lu referenced the "PRISM program, Equation Group and Echelon-global spying networks ... engaging in large-scale and organised cyber stealing, and spying and surveillance activities on foreign governments, enterprises, and individuals." In addition, he said, the Five Eyes nations have pushed for all of the private businesses in their nations to ban rival Huawei equipment, "which is literally a government controlled action".

One of the most explicit efforts to allow governments to co-opt their citizens to spy was Australia's Telecommunications and Other Legislation Amendment (Assistance and Access) Bill 2018, a.k.a. the encryption bill, which became law on 6 December 2018. The details almost put the Chinese law to shame! Intelligence agencies can compel any citizen or company to act on their behalf, whether by hacking, re-engineering apps or programs, or simply unlocking a mobile phone, to allow unprecedented covert and overt access to data. The order would remain secret, and not only does the person co-opted to the task have to keep it secret, the penalty for disclosing it is five years' imprisonment. Should someone refuse to comply with an order, they can be jailed for 5-10 years! ("Home Affairs encryption bill: A political tool made in Britain", *AAS* 5 Sept. 2018; "Don't let the Five Eyes spy on you!", *AAS* 3 Oct. 2018)

The bill is a copy of a 2016 UK law known as the "Snoopers' Charter". The UK version even mandates that companies take reasonable steps to develop and maintain a capability to respond to security agency requests, and allows companies to violate existing laws to comply with them.

Concerns about government back doors into communications systems thus no longer exclusively applies to firms like Huawei. Leading Australian cyber security and technology experts have slammed the encryption law for tainting Australian vendors with the same questions alleged of Huawei.

Another mechanism used by the Five Eyes is the supply of disinformation to the media. In Australia it is common knowledge that our intelligence agencies feed material to the media to create a suitable climate for incubating desired policies. Former 4 Corners executive producer Peter Manning told the University of Technology Sydney's Australia-China Relations Institute (ACRI) conference on 12 November 2018 that it is common practice for media to use intelligence agencies as sources, so what we end up with in our press is the "line" they want put out. "I wish [the media] would go to the experts, rather than the loudest voices" such as ASPI, observed ACRI Deputy Director Prof. James Laurenceson at the same conference. Former Whitlam and Fraser government official John Menadue has said ASIO is pretty much running our China foreign policy, briefing journalists regularly on the "China threat". This activity has the same imprimatur as the Integrity Initiative, another project under the purview of the Five Eyes (Washington Insider, p. 12).

FVEY cartel to exclude rivals?

There is no solid evidence of Huawei engaging in espionage, but unsurprisingly there *is* evidence of espionage being committed against it by the USA. According to documents released by whistle-blower Edward Snowden in his 2013 exposure of the National Security Agency's (NSA) extensive global surveillance operations, the NSA had successfully hacked Huawei back then, accessing even the source codes of Huawei products. One NSA document admitted it was for the purpose of advancing US spying capabilities, saying that "many of our targets communicate over Huawei produced products, we want to make sure that we know how to exploit these products". The NSA admitted spying on former Chinese President Hu Jintao, the Chinese Trade Ministry, banks and private companies.[1]

The question of who is really conducting intellectual property theft is squarely raised by this information, particularly given that Huawei is far in advance of its competitors in developing 5G telecommunications technology, from which the Five Eyes (sometimes shortened to FVEY) is now trying to exclude it. Huawei is projecting deliveries of new hardware at least nine months ahead of any competitors at less than half the price.

Mainstream media has widely reported that the Five Eyes has taken the lead in banning Huawei from construction of 5G network infrastructure. The USA in particular has pushed its allies, beyond just the Five Eyes network, to do so. Australia and New Zealand led the way with a ban, and while the UK, Canada, Japan, France, Germany and others are reportedly in agreement, actual bans are still pending. Head of the Canadian Security Intelligence Service spy agency from 2009 to 2013, Richard Fadden, called for Huawei to be banned from Canada's 5G network on 22 January. As for the USA, it has restricted technology transfers to China and prevented Chinese investment in US tech companies, and the Congress is now considering expanding the reach of those laws. US President Donald Trump is also reportedly considering issuing an executive order that would ban US purchases of products manufactured by Huawei and the smaller ZTE Corporation.

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1. "NSA Spied on Chinese Government and Networking Firm", Spiegel Online 22 Mar. 2014; "NSA Breached Chinese Servers Seen as Security Threat", *New York Times*, 23 Mar. 2014

British Intelligence 'Integrity Initiative' ops in USA exposed

Special to the AAS

The ongoing series of postings, by the Anonymous hacktivist group, of documents from the British Military Intelligence front called the Institute for Statecraft, and its Integrity Initiative, have revealed new dimensions of the British intelligence role in targeting President Donald Trump and disrupting any potential for US-Russian cooperation.

As reported last month in this publication ("Integrity Initiative: Britain's foreign interference machinery exposed", *AAS*, 5 Dec. 2018), the Integrity Initiative is headed by Col. Chris Donnelly of British Military Intelligence, and is funded by the UK Ministry of Defence and Foreign and Commonwealth Office.

The fourth Anonymous dump of Integrity Initiative documents—whose authenticity has been confirmed by other sources—appeared on 4 January 2019 and revealed the American activity of the project. It was the basis of an 8 January 2019 article by Max Blumenthal and Mark Ames, "Covert British Military-Smear Machine Moving into US", on Blumenthal's Grayzone Project website.

As the organisation launched its foray into the United States, the Integrity Initiative also got financing from the Smith Richardson Foundation, a notorious neoconservative source of funding.

The Integrity Initiative recruited a network of journalists, think tankers and government officials from across Europe and the United States to wage an information war against Russia. Targets have included European and American politicians favouring improved ties with Russia, such as Trump and UK Labour Party leader Jeremy Corbyn.

The Integrity Initiative documents charting expansion into the United States identified the goal, "Contribute to changing the attitudes towards Russian malign influence and associated weapons of 'hybrid warfare' by: expanding the knowledge base; harnessing existing expertise; and establishing a network of experts, opinion formers and policymakers, to educate national audiences on the threat and to help build national capacities to counter it."

The documents further revealed that the Integrity Initiative has partnership arrangements with the Atlantic Council, the quasi-official NATO lobby and think tank in Washington; the Centre for European Policy Analysis; the Centre for Naval Analysis; and the State Department's Global Engagement Centre (GEC). The latter is a US$160 million a year unit that conducts "counter-propaganda" operations. The GEC was launched by President Barack Obama, initially to counter social media activity of the Islamic State (ISIS). Following the election of Trump in November 2016, the unit shifted its attention to building a climate of hatred against Russia.

The Blumenthal-Ames article quoted former GEC director Richard Stengel: "My old job at the State Department was as chief propagandist." He explained: "I'm not against propaganda. Every country does it and they have to do it to their own population and I don't think it's awful."

Todd Leventhal, a State Department official formerly with the GEC and now listed as a "Senior Disinformation Advisor", is employed half-time by the Integrity Initiative as a "current team leader" at a salary of US$76,000.

Old wine in new bottles

The Integrity Initiative's American activity involves some of the same people who in 2002-03 promoted in the USA British PM Tony Blair's "dodgy dossier" of false allegations about Iraqi weapons of mass destruction (WMD), leading to the disastrous March 2003 invasion and regime change in Iraq. A primary example is John Rendon, head of the Rendon Group, which he founded in 1981 after serving as political director and executive director of the Democratic Party under President Jimmy Carter. A biography of Rendon published by the Aspen Institute revealed his role within the Anglo-American war party in recent decades: "In the National Security arena, Mr Rendon has participated in the design and implementation of strategic communications initiatives and information programs related to operations, Odyssey Dawn (Libya), Unified Protector (Libya), Global War on Terrorism (GWOT), Iraqi Freedom, Enduring Freedom (Afghanistan), Allied Force and Joint Guardian (Kosovo), Desert Shield, Desert Storm (Kuwait), and Desert Fox (Iraq) and Just Cause (Panama), among others. TRG also participates in counter-narcotics programs and has worked in Haiti, Bosnia, and Serbia, among other austere environments. Furthermore, Mr Rendon has collaborated on the development of comprehensive crisis and non-crisis information operations for political and public policy campaigns in the Americas, Africa, Asia, the Caribbean, Europe, and the Middle East."

Dr Sebastian Gorka was one of the more curious members of the incoming Trump administration, being a raving neocon who supports all of the regime change disasters that Trump attacked in his campaign. It is now revealed he was in the camp of the British intelligence-directed Integrity Initiative that targeted Trump's Russia cooperation policy.
Photo: Wikimedia

Rendon was a psychological warfare advisor to President George H.W. Bush for the overthrow of Panamanian President Manuel Noriega. He later was hired by the Pentagon and the CIA to direct the propaganda campaign for Iraqi National Congress head Ahmed Chalabi, the prime source of disinformation about Saddam Hussein's alleged WMD. Rendon subsequently ran the Coalition Information Centre, a joint Anglo-American propaganda unit tasked with justifying the invasion and occupation. He performed similar propaganda services for the Bush Administration in Afghanistan following the 11 September 2001 Saudi terrorist attacks on the USA and the US-NATO invasion of Afghanistan.

Among the current and former Trump Administration officials who have been signed up with the Integrity Initiative are Sebastian and Katharine Gorka. Mr Gorka briefly served as special assistant to the President under Stephen Bannon, the discredited ethno-nationalist who was White House "chief strategist" for seven months in 2017. He has been active with the Hungarian-origin neo-Nazi organisation Vitézi Rend. His wife is still employed at the Department of Homeland Security.

Meeting the Gorkas was a part of Chris Donnelly's itinerary during a September 2018 five-day visit to Washington to establish the American headquarters of the Integrity Initiative.

Integrity Initiative formally kicked off its US campaign December 2018 with a conference in Seattle, Washington.

The theme, presented by a spokesman for Donnelly, was that the United States is in a hybrid war with Russia, and that all wartime methods must be employed to mobilise the American people for the battle.

Information control

In sync with the Integrity Initiative's American launch, like-minded neocons have created other "private" front organisations to wage war against alleged "Russian disinformation". William Kristol, a second-generation neocon who co-founded the Project for the New American Century (PNAC), which devised the permanent war agenda of the George W. Bush-Dick Cheney Administration, has launched a new program called Republicans for the Rule of Law (RRL). Founded in January 2018 to defend special counsel Robert Mueller, who is in charge of investigating contacts between Trump associates and Russians, RRL is part of an older Kristol front group, Defending Democracy Together (DDT). DDT houses Republicans Against Putin and The Russian Tweets, propaganda sites focused on preventing any Trump-Putin cooperation.

Kristol's anti-Trump, anti-Putin actions have been funded by liberal Democrat and eBay founder Pierre Omidyar, a demonstration of how the war party cuts across political party lines. More recently, Kristol has launched a web-based magazine, Bulwark, which self-describes as the headquarters of the "Never Trump Resistance". The editor-in-chief of Bulwark is long-time neocon propagandist Charlie Sykes, who, along with Kristol, personifies the merger of neocon Republicans with global interventionist Democrats. A former contributor to Kristol's now-defunct *Weekly Standard*, Sykes is director of DDT and is on the board of Omidyar's Democracy Fund, which partners with George Soros and Michael Bloomberg in bankrolling liberal causes. The common denominator: feeding anti-Russia, anti-Putin propaganda to the American people. And that's the same mission as the Integrity Initiative has, with its financing and sponsorship from British intelligence and the Foreign and Commonwealth Office.

Russian interference bad, British interference good

The Integrity Initiative revelations in the UK, and the continuing exposure of British intelligence's role in orchestrating the Trump-Russia investigation in the USA, has led certain prominent neoconservatives to justify why Anglo-American "interference" is not morally equivalent to Russian interference.

In a 22 January tweet, Ed Lucas, the UK's leading Russophobe, challenged some of the British academics who have been identified as targets of the Integrity Initiative for their opposition to regime change in Syria, who have pointed out that the UK does what it accuses Russia of. Lucas wrote: "Interesting question for @Tim_Hayward_ @KitKlarenberg @PiersRobinson1 & allies. Was UK right to run influence op in USA in 1939-41?"

Lucas linked to an article on the US website JustSecurity.org, posted that same day, by former CIA agent John Sipher titled, "Western Covert Action and Russian Active Measures: Hypocrisy or Divergent Values?" In the article, Sipher doesn't acknowledge the current British intelligence efforts against Trump's Russia policy, but he compares the allegations of Russian interference in the USA's 2016 presidential election with Britain's covert operation in WWII to draw the USA into the war. Sipher writes:

"[Former NSA Director] General Michael Hayden described Russia's interference in the 2016 US presidential election as the 'most successful covert influence operation in history.' I beg to differ.

"An even more successful covert campaign was the secret effort by British intelligence to pull isolationist America into a European war to defeat Adolf Hitler's Germany. We forget it now because of who did it and why. However, it was no less underhanded and manipulative than the Russian effort in 2016.

"As the British and French soldiers were fleeing Nazi advances on the European continent in 1940, the British realised that they could not win the war alone and sought to use covert and illegal means to drag the US into war. Run by William Stephenson, a British Intelligence officer codenamed Intrepid, the British Security Coordination office (BSC) was a massive covert operation run out of Rockefeller Centre in New York. Stephenson ran a complex secret operation to influence US citizens and policymakers. His tactics included black propaganda, news manipulation, and a variety of illegal activities—including dirty tricks and election manipulation. Among other covert activities, the BSC sought to destroy and silence powerful isolationist politicians in Congress, use media resources and political influence to portray isolationists as Nazis, manipulate public opinion polls (the top official at Gallup was an MI-6 officer), co-opt moviemakers, establish front organisations, forge material to frighten Americans that Hitler had designs on the western hemisphere, and intercept and analyse all US mail and telegraph material destined for Europe and tap telephones. Stephenson even used recruited agents to create the US wartime intelligence service (OSS) and have 'their man' installed as director.

"As explained in Thomas E. Mahl's book, *Desperate Deception*: 'In a time of great national crises and dwindling resources, covert operations were the tool that ultimately was responsible for saving England.'

"While both England in 1940 and Russia in 2016 used covert means to manipulate US opinion and policy, the two are not equivalent. It's true, allies spy against allies. They manipulate situations to their benefit and seek insights. However, they do not look to destroy and undermine the basis of our democracy. While underhanded, Britain's actions in 1940 amounted to a nudge among friends to do the right thing for the cause of pursuing freedom over despotism. Both the Soviet Union and England spied against the US in WWII. One acted bravely to defend civilisation from Nazi tyranny, the other cynically offered an alternative form of despotism, prison camps and raw aggression. One covert campaign changed the world for the better, the other for the worse. Such distinctions matter."

That a former CIA officer would write this shows how effectively British intelligence has captured the USA's neocon and intelligence networks. He ignores current British intelligence interference in favour of romanticising British meddling during WWII, while at the same time he condemns Russia for unproven interference claims, and similarly slanders Russia's efforts in WWII, ignoring that the Soviet Union was then an ally and that the war against the Nazis was only won thanks to the incredible sacrifice of the Russian people.

It's telling that Sipher had to go back to WWII to cite an instance of intelligence interference that had a moral cause. The reality now is that whatever moral superiority Anglo-American intelligence agencies think they had in WWII, fighting the undeniable evil of the Nazis, they have well and truly destroyed through their covert regime-change schemes of recent decades which have left the world reeling from terrorism and unending wars.

The 'ISIS-Israel alliance' tries to keep US forces in Syria

By Richard Bardon

23 Jan.—After several months of relative quiet in Syria, all hell has suddenly broken loose on multiple fronts as a *de facto* alliance comprising Israel, the remnants of the so-called Islamic State (ISIS) jihadist group, and the neoconservative/liberal-interventionist War Party in the United States—including inside the Trump Administration[1]—pull out all the stops to have President Donald Trump reverse his 19 December order to end the US military occupation of the north and east of the country. While Israel has conducted a series of increasingly brazen aerial assaults apparently intended to goad Syria and/or Iran into an open war in which the USA could be presumed to intervene on Israel's side, ISIS for the first time has staged suicide bombings targeting US military and civilian personnel in regions claimed by the so-called Syrian Democratic Forces (SDF), the Kurdish-led militia that since 2015 has served as the USA's chief proxy in Syria, for the autonomous mini-state it seeks to carve out on Syrian territory.

The first bombing in particular, which reportedly killed four US servicemen and 11 locals on 16 January in the northern Aleppo Governorate city of Manbij, has been seized upon by proponents of permanent war and US empire—notably the notorious neoconservative Senator Lindsey Graham, who claims he once dined with his "moderate rebel" friends at the restaurant where the bombing took place—to argue that US forces should remain in Syria indefinitely to ensure the "enduring defeat" of ISIS. Similar arguments have reportedly emanated from the USA's "anti-ISIS Coalition" stablemate and Syria's old colonial master, France—which alongside Britain, the USA and Turkey precipitated the so-called civil war in the first place. Sputnik News, citing French newspaper *Le Figaro*, quotes an unnamed senior official complaining that "After the withdrawal of Americans our capabilities to control the internal situation in Syria will be extremely limited"; another claimed it was President Emmanuel Macron who had convinced Trump to stretch his timeframe for withdrawal from his original 30 days to four months. Nonetheless, *USA Today* on 11 January quoted Coalition spokesman Col. Sean Ryan that the US military had already begun the process of withdrawing its approximately 2,200 troops from Syria's north.

Less obvious to the casual observer is that ISIS itself has a vital interest in the continued US-led occupation of large swathes of Syria. It is only the no-man's lands created by the US forces' "exclusion zones" around their outposts, which together comprise almost all of Syria east of the River Euphrates, that gives ISIS space to operate. The Russian Defence Ministry as well as various media reports have presented convincing evidence that the Coalition military and intelligence services have sheltered ISIS deliberately, to give themselves an excuse to continue their occupation. But in any case, as former US Marine Corps intelligence officer Scott Ritter noted 18 January in *The American Conservative*, "the last remaining bastions of ISIS control are on Syrian soil, in areas controlled by the US military. The correlation between the presence of US military forces and the continued existence of ISIS should not be lost on anyone—ISIS needs the USA in order to survive." Syrian President Dr Bashar al-Assad has often stated that if not for ongoing outside interference, the Syrian Arab Army (SAA) and its allies would clean out the remaining jihadists in mere months.

Israel's strategy self-defeating

Israel for its part has openly supported ISIS and al-Nusra (al-Qaeda's franchise in Syria) in the Golan Heights region—Syrian territory which Israel has occupied illegally since 1967—since the war's outset in 2011.[2] In August 2016 an Israeli government-backed think tank, the Begin-Sadat Centre for Strategic Studies, explained that Israel had a strategic interest in preserving ISIS, so that more of Israel's enemies—such as the SAA, Iranian special forces detachments, and the Lebanese resistance movement Hezbollah—would die fighting it.[3]

Since Russia's September 2015 military intervention turned the war decisively in Syria's favour, however, most of western Syria has been reclaimed by the legitimate government in Damascus. Regime change is firmly off the table and, as veteran Middle-East correspondent Elijah J. Magnier reports, Israel now finds that it has made a rod for its own back. Instead of the fragmented Syria and isolated Iran that Israel wanted, it is now confronted by a well-equipped and battle-hardened SAA capable of countering anything the Israeli Defence Forces (IDF) throw at it. "Syria [now] has advanced precision missiles that can hit any building in Israel", Magnier wrote in a 14 January article on his website. "Assad also has an air defence system he would have never dreamed of before 2011—thanks to Israel's continuous violation of its airspace, and its defiance of Russian authority. Hezbollah … has created a bond with Syria that it could never have established—if not for the war. Iran has established a strategic brotherhood with Syria, thanks to its role in defeating the regime change plan. NATO's support for the growth of ISIS has created a bond between Syria and Iraq that no Muslim or Baathist link could ever have created…. The anti-Israel axis has never been stronger than it is today. That is the result of 2011-18 war imposed on Syria."

Unable to accept this reality, the only thing Israel can think to do is double down. Since Christmas Day, IDF aircraft have carried out almost daily airstrikes on targets in Damascus, which they claim are Iranian but which local reports say are for the most part SAA installations and warehouses. Thus far the SAA has restricted itself to taking out incoming missiles with its Russian-supplied short-range Pantsir S-1 and medium-range Buk M-2 air defence missiles, and has not yet retaliated against Israeli aircraft or facilities. RT reports today that on Tuesday, Syria's ambassador to the UN Dr Bashar al-Ja'afari for the first time mooted a "symmetrical" response, asking the UN Security Council: "Isn't time now for the [UNSC] to stop Israel's repeated aggressions on the Syrian Arab Republic's territories? Or is it required that we draw the attention of the war-makers in this Council by exercising our legitimate right to defend ourselves and respond … in the same way on Tel Aviv Airport?"

Their response, if any, is not reported.

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1. "An end to permanent wars? Trump moves to fulfil campaign promise", *AAS* 9 Jan. 2019

2. "How—and why—Israel supports terrorists in Syria", *AAS* 31 May 2017

3. "Australian links to pro-ISIS Israeli think tank", *AAS* 9 Nov. 2016

The time for cover-up is over!

By Ann Lawler

The CEC is calling for an independent audit of Australia's Big Four banks by the Auditor-General, the authority which conducted bank audits as a consequence of the 1937 Banking Royal Commission up until 1998, when APRA, the Australia Prudential Regulation Authority was set up. Under APRA, auditing of the Big Four has been conducted by an APRA-appointed auditor: PricewaterhouseCoopers (PwC), Ernst and Young (EY), KPMG, or Deloitte. The same accounting firms that earn billions of dollars advising the Big Four banks are commissioned by APRA to conduct the audit which gives the banks the "tick of approval" to say they are "doing the right thing" and that they are "strong and sound".

Organising in Melbourne City.

Does your MP believe this? Ask them! The time for cover-up is over! With the housing bubble ready to blow and a new global financial crisis brewing, this is urgent. We need to know exactly to what extent Australia's banks are vulnerable to rapidly declining property values (assets) against which mortgages have been lent, and to what extent these loans have been securitised into derivatives obligations (debt), whether on or off the banks' books. How vulnerable are the banks?

They are extremely vulnerable as we at the CEC know. Further your understanding of the role the global accounting firms play in the corruption and cover-up of the banking system by watching the 18 January *CEC Report*, and an interview with CEC Head Researcher, Robert Barwick by Digital Finance Analytics' Principal, Martin North at http://www.digitalfinanceanalytics.com/. Take your MP the 18 January media release, "Audit the Big Four banks!" Tell them to watch these presentations, and insist that as your representative they must ensure the CEC's bill for Glass-Steagall bank separation is re-introduced and passed by parliament expeditiously. The APRA "crisis management" law must also be amended to categorically exclude bank deposits, before any form of bail-in is triggered by a failing bank or banks!

Members of the ALP need to know this—they should follow the lead of their counterparts in Britain who commissioned a report into the Big Four accounting firms, which exposed their complicity in the crimes of the banks. The ALP should call for an independent audit of both the Big Four banks and the accounting firms if they are serious about addressing the crimes of Australia's banks. Without such moves people should realise they will not be any different to the Coalition government.

Organising around the country

While most of the country is gradually getting back into organising mode, the Melbourne field team have been back in full swing for weeks. The hot weather and holiday apathy hasn't helped but by being out there they've found many singularities, people who've subscribed to the *AAS*, purchased the bank manual or other literature and left details for follow up. Some days those interested people come along early in the day, sometimes later and some days, not at all! The best people are those who have been questioning what's going wrong and are looking for answers and want to know what they can do, or people who've been following the *CEC Report* or know us through the Martin North interviews and now meet us on the street and can get involved. Some people just march up to the table, like one man who asked straight up, "What do you want me to do?" Another man, after hearing what we were doing asked, "Have you guys heard of the Citizens Electoral Commission [*sic*]?" He didn't realise that that's who he was talking to! Another man who happily signed the petition recognised that it takes more to bring about change—it takes political action to make the difference—so he subscribed. One unlikely subscriber saw the value in his subscription as "helping" in the fight, proving you can't profile people as to who will be the most interested and for what reason.

In the Northern Territory, State Secretary Trudy Campbell and a supporter have been getting the CEC's five-point program flyer into businesses and MPs as well as having their regular presence at the weekly markets. Qld activist Jim Hazzard had a good day with the "Bank Robbery" sign drawing people's attention in Toowoomba, with 13 people signing the petition. Qld State Secretary Jan Pukallus and two activists got out the five-point flyer to the 150 or so attendees at the Brisbane Yellow Vest rally, with 22 people signing the petition. People seemed genuinely interested in solutions so almost everyone took a flyer. In West End, where Jan and another activist were organising, Shadow Minister for National Security and former Attorney General Mark Dreyfus happened to walk past giving Jan the opportunity to quickly brief him on our campaign for Glass-Steagall and the necessity for an audit of the banks. Let's hope he takes Jan's message back to his boss!

Global collaboration fosters peaceful space exploration

For the first time plant seeds have sprouted on the Moon, as part of a biosphere experiment on China's Chang'e-4 mission to the far side of the Moon. This small step to space colonisation is a cause of celebration for mankind as China welcomes all nations to participate in lunar exploration.

The successful germination of cotton seeds on 7 January, four days after the Chang'e-4 touchdown, points to pathways for future permanent human settlements on the Moon. The experiment, conducted by researchers and students at Chongqing University, also included rapeseed, potato and Arabidopsis (rockcress), as well as yeast and fruit flies, kept in a sealed growing chamber. By 13 January, however, the sprouts had died, unable to withstand freezing temperatures down to -52 degrees Celsius during the lunar night-time. Future experiments will no doubt use heating elements and different shielding.

Another first: the cotton seed that sprouted on the moon. Photo: CNSA/Twitter

In a 10 January Xinhua article headlined "China Focus: China welcomes world's scientists to collaborate in lunar exploration", writers Yu Fei and Quan Xiaoshu explain that the Chang'e-4 mission "embodies China's hope to combine human wisdom in future space exploration". Such an expression from Xinhua, China's official state-run news agency, offers promising opportunities in this new space journey for human civilisation. "International cooperation is the future of lunar exploration. The participating countries would share the costs, risks and achievements, and learn from each other. We hope to have more international cooperation", said Wu Weiren, chief designer of China's lunar exploration program.

Other scientists worldwide share this vision. Professor Robert Wimmer-Schweingruber, of the Institute of Experimental and Applied Physics at Kiel University, Germany, participated in the development of a neutron radiation detector, installed on the lander of Chang'e-4. "We worked with Chinese scientists for about two years on Chang'e-4", he said. "Chinese scientists are excellent. We wouldn't have managed to build our instrument without Chinese help…. I think one of the beauties of space science is that we do cooperate internationally. Space science to me is something important, also as a message of peace worldwide."

The great space pioneer Krafft Ehricke wrote of a similar cooperative vision for Lunar development. He explains in his "Lunar Industrialisation and Settlement" paper:

"The most important aspect of Lunar development lies in the human sector. It bears repeating that technological progress and environmental expansion are no substitutes for human growth and maturity, but they can help the human reach higher maturity and wisdom.

"Human growth is contingent not only on the absence of war, or overcoming hunger, poverty, and social injustice—but also on the presence of overarching, elevating goals, and their associated perspectives. Expanding into space needs to be understood and approached as world development, as a positive, peaceful, growth-oriented, macrosociological project whose goal is to ultimately release humanity from its present parasitic, embryonic bondage in the biospheric womb of one planet. This will demand immense human creativity, courage, and maturity.

"But the human is the violent product of violent evolution on a violent planet in a violent universe. As he enters space, he carries the tensions of our time and a heritage of endless wars involving hundreds of thousands of years of ideological, sociological, religious, territorial, and political hostilities. This heritage is frozen into humans like the solar magnetic field is frozen in the solar wind as it leaves the sun.

"If the human is to outgrow this terrible heritage and grow with his expanding world, a few limited activities in near-Earth orbit and limited scientific expeditions are not enough. Really great tasks that penetrate man's social structure, infuse a broad evolutionary perspective, tax his creativity, and challenge his mind are needed. The industrial development of the lunar world towards the first polyglobal civilisation is one such task—indeed the first logical goal on the agenda of the Extraterrestrial Imperative."