

Australian Adam Smith Club (Melbourne)

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The worst thing that can happen to a good cause is, not to be skilfully attacked, but to be ineptly defended.
Frédéric Bastiat

Tom Bostock on Frédéric Bastiat

**The Adam Smith Club will host a dinner meeting on Tuesday the 4th of December 2001,
at the Retreat Hotel, 226 Nicholson St, Abbotsford (Mel 44 E4).**

This year has seen the bicentenary of the birth on 30 June 1801 of Frédéric Bastiat, whose eloquence in defence of freedom and the free market order was matched only by his wit and perspicuity.

To honour both the occasion and the short life of Bastiat, Tom Bostock, a long standing Club committee member and senior partner in Mallesons Stephen Jacques, will present an outline of Bastiat's life and work, and its relevance in our time. Bastiat's wit and perspicuity are typified by his aphorisms, for example, that: the state "is that fictitious entity by which everyone seeks to live at the expense of everyone else"; and "the law is no longer the refuge of the oppressed, but the arm of the oppressor. The law is no longer a shield but a sword." In his last essay, *The Law*, Bastiat drew attention to perversion of the law - due to the influence of two entirely different causes: stupid greed and false philanthropy - towards what he called "legal plunder", which he defined as the law taking from some persons what belongs to them, and giving it to other persons to whom it does not belong. Bastiat saw tariffs, protection, benefits, subsidies, progressive taxation, public schools and minimum wages as but a few examples of the infinite number of ways legal plunder can be committed. The spontaneous order generated by liberty as seen by Bastiat was not limited to the market but stretched through all aspects of society, and was based on his belief - expressed in *The Law* - that "the solution to the problems of human relationships is to be found in liberty."

Attendance is open to both members and non-members. Those desiring to attend should complete the attached slip and return it to the Club no later than Monday the 3rd of December 2001. Tickets will not be sent. Those attending should arrive at 6.30pm for dinner at 7.00pm. The cost is \$32.00 per head for members and \$37.00 per head for non-members (PTO for explanation of arrangements).

**Enquiries to Ms Regina Bron, tel 9859 8277 (AH)
or Dr Tom Jellinek, tel 9706 7400 (BH)**

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The Secretary,
Australian Adam Smith Club (Melbourne),
PO Box 950, Hawthorn, Victoria 3122.

Please reserve place(s) at \$32.00 dollars per member andplace(s) at \$37.00 per non-member for the December 4th meeting of the Australian Adam Smith Club. I enclose the amount of \$..... in payment for the same.

NAME (please print):

ADDRESS:

SIGNATURE: TEL:

LAISSEZ FAIRE ON THE WEB

This newsletter has a new address on the web: <http://www.economic-justice.org/asmith.htm>. The Institute for Economic Justice has been created by David Sharp a former president (and current committee member) and Timothy Warner the current Treasurer of the Club. As stated on the web site, 'The Institute has been founded to assist those who have been subject to economic injustice, and to increase both public and professional awareness of remedies available under the Law.'

THE ECONOMICS OF CONSCRIPTION

Productive and original as Adam Smith was, he was not always consistent. He was critical of the role of government in the economy and yet still advocated roles for it over and above its administration of defence, law and the police. So it is not at all obvious what his attitude to conscription might be.

One argument for conscription is that the risk of sacrificing one's life in battle should not be borne by a particular group. This, despite the risk in many other occupations. But, in selecting conscripts, questions arise like: What age group should be fairly selected? Should we consider marital status, sex, value (as a say surgeon) in the selection process? What other exemptions are valid? Above all, why should politicians exempt themselves?

Another argument is that not enough people would volunteer in the absence of conscription.

"But all these arguments are answered by economics", Adam Smith would hopefully say: The number of defence personnel needed would be acquired by raising (or lowering) the pay and conditions because defence is like any other job--a service provided at a cost. It is

conceivable that taxpayers would at some point revolt by civil disobedience or the democratic process. But this would merely reflect the fact that the people are prepared to risk the consequences of an inadequate defence. Thus, everyone gets the job required at the price it costs.

Another economic aspect of conscription is its effectiveness. Conscripts are well known for their ineffectiveness like anyone else in a job he doesn't like. One of the best illustrations is the Falklands war which appeared to be won and lost on the conscription issue. The Argentinean conscripts already suffered from low morale, but as the British volunteers approached Stanley, the conscripts on the other side turned and ran and the war was over. So, to the extent that conscription caused the loss of the Falklands, it was a very uneconomic approach to war!

Adam Smith was also a moral philosopher. If he is a consistent philosopher he would come up with same answer to conscription in the field of ethics: it is morally wrong. *TD*

JOB SECURITY

There is presently much concern over job security. People comparing the 90's and the naughties to the 60's and the 70's almost invariably mention that back then Australians, unlike today, did not have to worry about job security. People who wanted to work could do so.

In an attempt to provide job security - Workplace Relations, Employment and other Acts, making it more difficult for employers to dismiss workers, have proliferated. Yet at the same time job security has become less and less.

With their present plethora of employment laws, Australians have been sold a bill of goods. Real job security does not come from trying to

lock an employer into a contractual employment relationship which was reluctantly entered into in the first place and which merely acts to make the employer a slave to the employee. Previous job security came not from trying to lock oneself into a particular job but rather from having no shortage of replacement jobs. This in turn came from having a prosperous and growing economy. Previous generations understood this. We seem to have lost the plot.

Making it difficult to fire merely means that employers will not hire. The current employment laws are one of the reasons that the Australian economy is stagnating. Many of those

currently employed understand this but support the current laws anyway, reasoning that they don't care what happens to the next generation or the unemployed provided they can have their own comfortable job until they retire. Few are prepared to admit this of course, even to themselves. What many who took this position failed to take into account was their actions would send their employer bankrupt or otherwise out of business, thereby consigning themselves into the ranks of the unemployed.

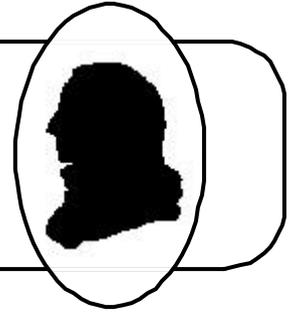
If job security as we once knew it is ever to return to Australia, we have to get rid of the current unjust employment laws now. *DBS*

VENUE ARRANGEMENTS

In order to control costs the Club is attempting a number of new formats for our meetings. Drink is not included in the price but can be purchased at the venue. An upstairs room has been reserved for the dinner meeting. We hope these arrangements do not cause inconvenience and we welcome your feedback.

Laissez Faire

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WHAT PRICE GLORY?

The Thin Red Line is a novel about World War 2. It is a very good novel. Its author, James Jones is an excellent writer. It has been filmed twice, the second occasion in 1998. The latter version was unsuccessfully nominated for an Oscar as best picture of the year. The critics' reviews were somewhat mixed. It has however, perhaps rightly, acquired a reputation of being one of the great anti-war films of all time, along with such classics as Paths of Glory and All Quiet on the Western Front. In this context it is worth noting the author's Dedication; "This book is cheerfully dedicated to those greatest and most heroic of all human

endeavours, war and warfare; may they never cease to give us the pleasure, excitement and adrenal stimulation that we need, or provide us with the heroes, the presidents and leaders, the monuments and museums which we erect to them in the name of PEACE."

The significance of the dedication is not to suggest that the director of the film, Terrence Malick was somehow unfaithful to the tenor of the novel. He is, in any event entitled to interpret the novel as he sees fit. Rather it is to highlight that there seems to be a good deal of perversity in human nature. Politicians know this. Probably we all do. It is the

reason that Margaret Thatcher is likely to be most remembered as the British leader who successfully waged war in the Falklands. It was of considerable relevance in the recent Federal election. Although there was much noting of Afghanistan and reference to a Khaki election there seemed little explanation as to precisely what it all meant. Perhaps the cartoonists did it best, depicting John Howard in combat fatigues with a pack and rifle, whilst Kim Beazley was drawn in a striped suit holding chocolates and flowers. Could it be that the reason the Liberals won the election so convincingly is that John Howard has lead us into war? *DBS*

WHITHER REPRESENTATIVES?

The Federal Election will likely be decided by the time this newsletter is distributed but a number of observations can be made on the campaign and the parties even with a few days to go (at the time of writing).

The overwhelming pressure from public relations and party apparatchiks for caution in all things and a divine purity of message from all candidates bodes poorly for representative politics. All media is watched both by analysts and by computer programmes for any comments and key words. If anybody dares deviate from the message or the daily theme then he/she will suffer greatly. Excepting the advantages to the party of having a local messenger and for whatever ombudsman role the local MP can play, no role is left for the backbench in campaigning or policy formation.

The fact that it took months of backbenchers telling Costello that the GST was being appallingly managed for him to get the message says much about the executive, the parliament and possibly about Mr. Costello.

One notable feature is that the 'Charter of Budget Honesty' has meant that pork barrelling and economic mismanagement are now largely confined to devastating long term errors rather than huge mis-costings of immediate demands. Bracket creep that will cost the PAYG taxpayer billions is allowed to slip through to the keeper, but errors as "small" as \$200 million are now caught during the campaign. The taxpayer can derive what satisfaction they may from this new development. *TW*

JIM CARLTON MEETING

The October Dinner Meeting was given an interesting talk and an impassioned set of responses in question time from the former Health Minister and leading 'Dry'. He stated that the achievements of the 80's and early 90's resulted from a strong intellectual argument mounted both publicly and privately, and an Opposition that was willing to see important reforms introduced by their opponents. The comparison with Labor's

attitude to reform during the Beazley years was held up for some unflattering observations.

The impassioned question time focussed on the nature of politics as the art of the possible as distinct from the realm of intellectual purity. The speaker also stated that politics was a forum of continual battle, as any reform or legislation was just as likely to be reversed at the next opportunity. *TW*

REMEDIES; MARKET OR COMMAND?

It was recently reported that the opening of a bridge had been delayed for several months and extensively redesigned at a cost of millions of dollars due to a failure of the original design to cater adequately for wheelchair access. It highlighted the fact that currently, public buildings, vehicles, and other areas open to public use are generally required by legislation to ensure wheelchair access.

That disabled people should have ready entry and exit is of course highly desirable. As the bridge incident demonstrates however, it is, on a nationwide basis, extremely costly.

Providing a legislative or command remedy to a perceived problem is one method of solution. The alternative is a market remedy. Although generally the opportunity to use either approach is open the implementation of a command remedy tends to preclude or inhibit the market alternative. Competing in the marketplace against a product, which typically is supplied or mandated by government at no direct cost to the consumer, is difficult if not impossible. To say for example that the ABC is necessary to supply highbrow programs which otherwise do not exist is of course to beg the question since the one or more commercial suppliers, which would undoubtedly arise in its place to supply the existing consumers with such programs, are presently unable effectively to compete.

Despite the seeming success of the government program, it is arguable, with regard to wheelchair access, that a market approach would have been likely to have been at least as effective and certainly far less costly. It is difficult to forecast the method whereby a problem will be resolved before the answer is known. In the case of wheelchair access the most likely approach would be the development of a superior wheelchair, in particular one capable of ascending stairs safely and efficiently.

It is of course pertinent to ask why, if such a market remedy has not occurred up until now, it is likely to occur in the near future. The answer is of course that progress is always occurring. What history teaches us is that, in the absence of a remedy eliminating the need for wheelchairs altogether, a superior wheelchair is just a question of time.

What the government perhaps could have done, in the absence of private enterprise doing so, would have been to have offered an appropriate reward, a fraction of what it has spent on access ramps etc to its facilities but a significant sum nonetheless, to the inventor of such an invention. Instead, the mandated facilities which have been and continue to be installed at considerable cost, whilst commendable, in a sense, in themselves, reduce the incentive to invent or produce a superior alternative. *DBS*

The Club notes with sorrow the passing of Ross Parish, a frequent attendee at Club dinners and a figure that quietly and often behind the scenes was instrumental in providing strength, intellectual cogency and insight to the teaching of economics and the cause of liberty. Ross would come across as quiet and unassuming, but when aroused by an intellectual challenge could be animated and passionate.

Ross Parish was Professor of Economics at Monash University from 1973 until retirement in 1993. He was educated at Murwillumbah High School, University of Sydney and University of Chicago, and was the recipient of an honorary doctorate from the University of New England. He taught at Sydney University and the University of New England and had visiting appointments at Oxford and Stanford Universities and at the Public Choice Centre at Virginia Polytechnic Institute and State University.

Ross was a pioneer in the application of public choice theory to concrete policy issues in Australia. He was deeply committed to improving education and made important contributions in that area. At the foundation of many think tanks such as CIS, Tasman Institute, COPS and AIPP, was some influence or support from Ross Parish. *WS*