



Australian Adam Smith Club (Melbourne)

President: Michael Warby, Editor: Regina Bron, P.O. Box 950, Hawthorn, 3122

Envy is the basis of democracy.
Bertrand Russell (1930)

Rev Dr John Williams on The Achilles Heel of Democracy

**The Adam Smith Club will host a dinner meeting on Monday the 18th of October, 2004,
at the Curry Club, 396 Bridge Road, Richmond.**

Democracy is a word with favourable connotations. But what does it mean? Do we have it? Do we want it? Do we deserve it? Is it really the worst system except for all the others? Does it work? And are two foxes and a rabbit voting on what to have for dinner an example of it?

Guest speaker John Williams is an ordained minister, originally in the Presbyterian Church that subsequently became the Uniting Church. A school chaplain and senior teacher for 11 years, his vigorous defence of Classical Liberalism and the market economy often contrasted strongly with the views of many of his Church colleagues. He resigned in 1981 and has since visited the USA annually writing and lecturing at numerous think-tanks, colleges and universities on Classical Liberalism, including engaging in public debate with the Reverend Jerry Falwell, the leader of the religious right and Pat Buchanan, a leading conservative and protectionist.

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 Friday the 15th of October 2004. 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 (see next page for explanation of arrangements).

**Enquiries to Ms Regina Bron, tel 9859 8277 (AH)
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detach and return

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 October 18th 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.'

WE NEED MORE ELECTIONS!

With the amount of money and the number of wonderful promises being directed at nearly every sectional group in the population, we should have elections every 6 months. I wait for the politician to stand up and promise: "No demographic group within Australia will be without a substantial election bribe by 2005." *RB*

FLUTTERING HEARTS

On the weekend of Sep 25-26 I imagine there would have been racing heart-beats around Australia as the reader perused page 46 of the Weekend Australia Magazine. What was so racy about page 46? The image of a thoughtful Phillip Adams - I think not. The slightly less offensive than normal prose of Mr Adams (on the subject of Marlon Brando) - not today Josephine. The break out box in the corner was on the subject of the pre-decimal currency, and below an image of the ten and fifty pound note - and there was the statement - "The Treasurer of the Commonwealth of Australia promises to pay the Bearer TEN POUNDS in gold coin on Demand" Enough to make any sound money man's heart race, and lament the flexible nature of today's fiat currency. *TW*

SPACE FREEDOM

Most science fiction takes the future for granted (sic). A future of complex societies run by scientific or political elites, very occasionally a mega corporation as villain. Slowly the chains have come off as the demand for satellites by countries and companies has grown ever greater. Private space ports and privately constructed booster rockets have now come of age.

The last twenty years have slowly revealed more science fiction with a free enterprise focus. The leading proponent of this style has been Dr Jerry Pournelle with "High Justice" and "Exile to Glory". He envisages companies and individuals fleeing earth to escape taxes, regulation and tyranny.

Pournelle was an engineer in the Gemini and Apollo programmes and saw that technology would make getting into space and staying there cheaper, whilst the opportunities to manufacture in micro gravity and harness the minerals and energy of space offer economic returns.

Why haven't there been greater efforts to get into space by private enterprise? The governments of the world have been busy socialising space since the first space treaties of the 1950's. One of the first principles endorsed was that no territory or property was to be controlled by any state or person.

In 1976 a group of far sighted individuals created the X Prize to equal the two great prizes of aviation. The first of those won by Bleriot in 1910, was for the first plane to cross the English Channel. The second great prize was for the crossing of the Atlantic. The new prize was for the first private venture to take a man into space and to return within fourteen days - a practical reusable manned space craft was the aim. Spaceship One, largely paid for by Microsoft's lesser known founder Paul Allen is the result of the X Prize. The first launch in May made headlines, and the attempt to meet the two launch window is happening as the newsletter goes to press.

Sir Richard Branson has understood the PR value and the economic potential of this technology by buying in with Virgin Galactic to launch (literally) in 2007. *TW*

VENUE ARRANGEMENTS

For the Curry Club, drink is not included in the price. You may bring your own drinks (no corkage will be charged) or purchase from the restaurant which is fully licensed. A 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 DAMAGE A LABOR GOVERNMENT?

As we approach Election Day on October 9, Labor and the Coalition are outbidding each other with ever greater election bribes. I have not noticed anyone in the mainstream media asking whose money are they planning to use to pay for all of this. No one seems to care, so long as their snout is in the trough. The irony of taxing us to pay us bribes has gone largely unnoticed.

But there is little difference between the two major contenders for power. They are both attempting to appeal to parts of the electorate they feel can swing the result their way.

What are the major changes we can expect with a Labor government? We can expect Australian troops to be withdrawn from Iraq sooner than under a Coalition Government. The implications for the world and for

Australia is uncertain but I suspect it may not be too serious. The “free” health cover for those over seventy five years of age will be shown eventually to be disadvantageous to those under seventy five. The money “redistributed” from the so called “privileged” private schools will lead to more students in the public school system (and yet more money required on the public school infrastructure). This will mean more public school teachers and thus greater membership and power to the teacher unions. And, of course, our taxes are being used to pay for all of this.

But in terms of potential damage to the country I believe nothing comes close to Labor’s promise to sign the Kyoto Protocol. This will significantly raise the cost of electricity and thus lower our standard of living. An

example will help illustrate the effect on the cost of electricity generated in the Latrobe Valley. The Australian Greenhouse Office has estimated a CO₂ tax of \$30/tonne will be required to meet Australia’s obligation under the Kyoto Protocol. This is equivalent to a tax of about \$40/tonne on the brown coal used to generate electricity in the Latrobe Valley. The current cost of providing coal to the power station is about \$5/tonne. Although the cost of electricity is not expected to increase by a factor of eight, there is little doubt that the cost of electricity must rise significantly under such a regime. The inevitable result of such a cost increase will be significant numbers of bankruptcies and enormous job losses.
MG

THOUGHTS ON EDUCATION

The education debate has distinct parallels with the health debate.

In essence, the private health system is supported by all levels of government as providing an alternative means of health care for those who can and wish to pay for it. The Federal government in fact encourages membership in the funds by its introduction of the 30% rebate and the imposition of an age based increase in fund costs for those who choose to enter the system beyond the age of 30. This recognizes that the public health system, while being available to all, has limited funds and should be used by those who cannot afford the private system. Both systems are comparable in terms of quality and qualified staff, equipment and quality of care - many doctors work within both the private and public system, however, resources are limited by funding in the public sector leading to waiting lists, ward closures and occasionally limited treatment options.

But without the private health care system in parallel, the public system could not cope with the health care needs of the Australian population. Nor is it suggested that funding to the private system be decreased. Private care patients pay taxes that support the public system even though they then choose to pay more by joining a private health fund and using the private system.

Isn’t this the same with education? The State school system runs in parallel to the private one. Parents with children in both pay taxes. Parents who choose to send their children to the private sector pay above and beyond. In Victoria, many of the larger private schools are in the inner Melbourne suburbs, as are most of their students. Many of the State schools

within these areas are at full or near full enrolments, enforcing zoning restrictions.

During the recession of the late 1980’s and early 90’s there was a significant move from the private sector to the public. Higher fees will inevitably have a similar effect. The Labor Party has earmarked the funding redirected from the private sector for improvements in the public sector. There has been no talk of the physical expansion to existing schools that will be necessary should enrolments increase. The State school system could not cope if the additional students now attending private schools, were to transfer en-mass, into the public sector.

There has been a distinct policy of mis-information throughout the debate. The State government provides the significant majority of the funding for the State school system, with a bare minimum to the private. The Federal government funding attempts to redress this, however, the bulk of the funding across both levels of government is to the public system.

Ignoring the many reasons parents choose to send their children to either private or public schools, do not all Australians deserve equal treatment? Should not each child be allocated an amount for their education? Patients who visit a bulk billing clinic do not pay above the rebate for their treatment. Patients at a non-bulk paying clinic pay above and beyond the rebate level. Whether it is because they prefer one doctor to another, have reduced waiting times, better facilities at the clinic, or prefer the clinic’s location, it is a matter of choice. The health system is basically a voucher system – should we not treat the school system similarly? *RB*

HIGHLIGHTS OF ECONOMIC HISTORY

Like the definition of Economics itself, the definition of Economic History is difficult and disputed. Professional economic historians have been maligned as being neither good economists nor good historians. One definition is the discipline of the application of economic theories to historical studies. Another is the study of past human action and its causes and consequences. In practice, its focus is typically not on rulers, wars, battles and conquests but rather on the lifestyles and living standards of ordinary people. The following significant events have been arbitrarily selected as examples.

The Neolithic Revolution [10,000?- 6000? BC]

Arguably the most important occurrence in the economic development of humankind, it is perhaps more accurately described as economic anthropology rather than the economic history. The term itself is attributed to the famous Australian archaeologist Vere Gordon Childe (1892-1957) and refers to the change when people ceased being nomadic Hunter/Gatherers and instead became sedentary Food Producers. This probably first occurred in the Fertile Crescent in S W Asia and thereafter throughout the world. It involved the domestication of plants and animals and the invention of agriculture. The last is generally accredited to women, since they are thought to have been the gatherers of the naturally-occurring products of the soil, whilst the men were the hunters. It is likely therefore that it was women who first appreciated the connection between seeds and the soil. As a result, for the first time, humans attained some control over the supply of food. The capacity of the Earth to sustain a human population was thereby increased from about 5 million to about 1 billion.

Whilst it is undoubtedly true that the Neolithic Revolution has created the modern world with its cities and civilizations, there remains much disagreement over why it occurred and whether or not it actually improved the human condition. The argument itself is heavily political and philosophic. (Childe himself was a dedicated Marxist). It is thought that Hunter/Gatherers lived in small bands of 30-50 people with little inequality. The food they ate was natural and varied. Conversely sedentary Food Producers relied heavily on one or more of only 6 less-nutritional staples; wheat, barley, millet, rice, maize (corn) and potatoes. Individual Hunter/Gatherers probably enjoyed better health and had fewer dental caries than sedentary Food Producers. Because of the need for mobility Hunter/Gatherers' possessions were few and probably communally owned. Hunter/Gatherer women had few children, widely spaced, and probably enjoyed equality with men. Hunter/Gatherers also had considerable leisure time. Conversely the life of Food Producers involved much drudgery, with little time for leisure. Since food production was labour intensive women were required to have numerous children and became subordinated to men. However the ability of Food Producers to produce and store surplus food meant that they could sustain far larger populations and provide for non-food-producers such as leaders, warriors and craftsmen; surplus food and increased population thus enabled a division of labour. It also enabled the strong amongst the Food Producers to exploit and lord it over the rest and eventually, for the Food Producers virtually to wipe out the Hunter/Gatherers.

The term itself is criticised by some. Since it occurred independently in numerous places over thousands of years it is suggested that Neolithic Evolution would be more appropriate. Supporters of the accepted term however point out that nonetheless such events took place in a time-span comprising less than 1% of the period of human existence.

The German Hyperinflation [1922-3 AD]

One of the most traumatic experiences suffered by the German people in modern times was the hyperinflation of 1923. Prior to WW 1 Germany had been a prosperous and financially stable country. In 1914, like most of the belligerents, it had gone off the gold standard. Rather than taxing to pay for the war, the government chose to finance it by running the printing presses and borrowing. By the end of the war prices had doubled. Defeat was a terrible shock. However from 1919 to 1923 Germany continued to run huge deficits. The government feared that halting the printing presses would bring unemployment, which they feared more than inflation. The threat of a communist takeover was real. Nervous citizens began to buy anything of value. In the first half of 1922 prices doubled again.

Germany's predicament was worsened by the victorious allies insistence on the payment of huge reparations. Whether such demands were justifiable or wise is a matter of debate. In any event Germany defaulted in 1922 and in January 1923 French and Belgian troops occupied the Ruhr, the country's industrial centre, in an endeavour to exact payment. The Germans responded with a general strike and the government printed more money to pay the wages of the strikers. This triggered runaway inflation. Unemployment and prices soared.

What happened in Germany over the 10 months to October 1923 was difficult for those who lived through it to comprehend. Prices ran away; from thousands to millions to billions to trillions. Workers were paid daily and spent their money immediately. People tried desperately to buy anything rather than hold money. When prices reached trillions the currency collapsed. Paper money was unusable. At that stage the Reichsbank stopped the presses and issued a new currency, the Rentenmark with one Rentenmark equal to 1 billion old marks.

Although the Rentenmark restored some form of financial order, it could not restore what had been lost. Along with the nation's savings, the hyperinflation destroyed the old moral and cultural order and paved the way for the changes that followed. *DBS*