

Australian Adam Smith Club (Melbourne)

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

A little fire is quickly trodden out;
Which, being suffer'd, rivers cannot quench.
Shakespeare: Henry VI (c. 1591)

Peter Attiwill on The Case For Fuel Reduction Burning in Australia's Forests

**The Adam Smith Club will host a dinner meeting on Tuesday the 7th of April 2009,
at the Malvern Vale Club Hotel, 1321 Malvern Rd, Malvern 3144.**

Peter Attiwill retired from the position of Reader and Associate Professor in Botany, The University of Melbourne. He is Australian Centre Senior Fellow and Principal Fellow in Botany, University of Melbourne and Editor-in-Chief, *Forest Ecology and Management*. He is the author or co-author of some 120 papers in the scientific journals. Most of his research career has concentrated on sustainability of growth, productivity and nutrient cycling in forests.

Fire has been a major force in the evolution of Australia's fauna and flora over tens of millions of years, and Victoria is one of the most fire-prone areas of the world. In the past 6 years, bushfires have burnt with high intensity over some 2.7 million hectares of public land in Victoria, and this is no way to manage the bush and its ecology. But these megafires – or feral fires – that we have seen in Victoria have also burned in other parts of the world. On a global scale, we are facing three major challenges: global warming and climate change, over-accumulation of forest fuels, and growth of populations in the interface between urban and forest areas (that is, more and more people wanting to live in the bush). While most fires are controlled, the few that burn out of control account for most of the area burned, and for most of the total cost of suppression. In meeting these challenges, should we reinforce current tactics with the emphasis on fire suppression, or should we redefine strategies?

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 6th of April 2009. Tickets will not be sent. Those attending should arrive at 6:30pm for dinner at 7:00pm. The cost is \$40.00 per head for members and \$45.00 per head for non-members (see next page for explanation of arrangements and for electronic booking details).

**Enquiries to Ms Regina Bron, tel. 9859 8277 (AH) or mob. 0412 006 786 (BH)
or email asmith@economic-justice.org**



detach and return

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

Please reserve place(s) at \$40.00 dollars per member andplace(s) at \$45.00 per non-member for the April 7th 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 an address on the web: <http://www.adamsmithclub.org/laissez.htm>. The Club's web site can be found at <http://www.adamsmithclub.org/>.

ELECTRONIC PAYMENTS

By popular demand, the AASC now offers electronic booking and payment to dinner meetings. Bookings can be made by emailing the number of members and non-members attending to asmith@economic-justice.org; a reply email from the club will then be sent with a link to PayPal where the payment can be made by Mastercard, Visa, AMEX, Diners or PayPal Account. Bookings made after Friday 3rd of April will not be accepted online. FEES - a \$2 card fee will apply for the transaction.

DEMONISING CARBON - A DEATH WISH?

A statement by Viv Forbes, Chairman of the Carbon Sense Coalition.
9 March 2009

The Carbon Sense Coalition today called on all parties in the looming state election to make a clear statement on their policies regarding Emissions Trading and Carbon Taxes. The Chairman of the Carbon Sense Coalition, Mr Viv Forbes, said that politicians in a state so overwhelmingly dependent on carbon energy, carbon food and taxes on carbon products can no longer hide behind hypothetical anti-carbon scare stories based on dubious climate forecasts for 100 years ahead.

“We have a real present emergency with growing fear among investors and shareholders in anything associated with mining, power generation, tourism and farming - the backbone industries of Queensland.”

“Much of this fear is generated by an insane campaign to demonise carbon dioxide, the natural atmospheric gas on which all life depends.”

“There is growing scientific recognition that carbon dioxide does not control climate - rather the other way around - temperatures rise because of solar influences and those rising temperatures expel carbon dioxide from that great carbon storehouse - the oceans.”

“There is also growing recognition that current levels of carbon dioxide in the atmosphere are very low and the gradual increases occurring at present pose no threat to any life on earth. The reverse is true – all life will benefit from more carbon dioxide in the atmosphere, and the benefits will be increased by the slight warming experienced over the last one hundred years.

“We are supposed to panic over carbon dioxide levels of a miniscule 380 parts per million.

“Most life, plants and animals, probably developed with CO₂ levels of about 1500 ppm - 400% above current levels. This fact is well understood by greenhouse operators who burn gas to increase CO₂ levels to at least 1,000 ppm, 260% above current atmospheric levels.

“Inside populated buildings, CO₂ levels of 3,000 ppm (770% above current levels) have been measured in homes, schools and offices with no ill effects. Even most Health and Safety people consider 5,000 ppm (1,300% above current levels) to be safe. Medical gas given to people with respiratory problems typically contains 50,000 ppm CO₂ (13,000% above current levels) and our lung sacs retain about 65,000 ppm (16,800 % above current levels). Not until CO₂ levels get to 100,000 ppm (260 times current levels) is there any concern about human health.

“All plant life will also benefit from increased carbon dioxide, and much of the extra food produced by the green revolution is the result of the warmer and more carbon-rich atmosphere.

“It seems that those who are trying to demonise carbon dioxide have a death wish for Queensland society. To achieve significant cuts in carbon emissions from man's activities would require massive destruction of our energy, farming, smelting, cement, transport and tourism industries, together with the jobs and prosperity of the populations that depend on them.

“The war against carbon is a war against coal, cattle, concrete, cars, electricity and breathing - who thinks Queensland can survive without these?

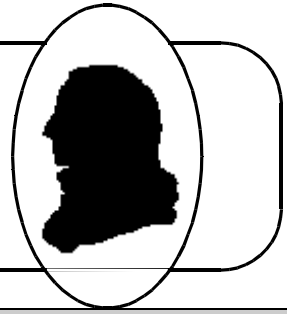
“It is time for the people of Queensland to be told which parties are supporting or condoning this reckless policy.”

VENUE ARRANGEMENTS

At the Malvern Vale Hotel, a private room upstairs (to the right through main restaurant entrance when entering from Malvern Rd) has been reserved. There is NO BYO at this venue. Drinks are at bar prices. Car Parking is available on Malvern Rd from 6.30pm and in the car park at rear. The No. 72 tram stops outside. The Tooronga Station is 400m away. We hope these arrangements do not cause inconvenience and we welcome your feedback.

Laissez Faire

Newsletter of the Australian Adam Smith Club (Melbourne), No 90, March 2009



NO CHARTER

The proposed Australian so-called Charter of Rights should be opposed and rejected. A less deceitful, and more accurate, title would be Charter of Revocable Privileges.

By definition, a right, whether perceived as arising from divine grant, from nature, or from a process of reasoning, is an inalienable legal or moral entitlement that inheres in all individuals. It is the existence of legal rights that acts as the constraint on government, giving rise to the concept of limited government, and hence to the Western concept of freedom. Without rights, government is unlimited and freedom is no more.

Part of the political genius of the English people was their role in the development of human rights. Whilst the writings of the 17th Century philosopher, John Locke, were important, it was the Common Law judges who performed the task of discovering the law, establishing legal precedents on a case by case basis, and who created a culture of liberty, based on what they perceived as inalienable individual entitlements. Such entitlements popularly referred to as the Rights of Englishmen, included rights to be secure from unjustified government intervention in one's life, liberty and property.

It was the judges, who recognized and maintained rights, not the legislature, much less the government. From time to time the legislature and the government were called on to acknowledge the existence of such inalienable rights, as in the 1689 Declaration of Rights, but this was nowhere to suggest that they were responsible for creating them. As part of their heritage, Australians rightfully lay claim to the Rights of Englishmen.

It is sometimes suggested that we should not have a Bill or Charter of Rights, since this would give law-making power to the judges, detracting from responsible government and the proper role of the legislature as the maker of laws. This is a fallacy based on a misunderstanding and distortion of the meaning of rights.

Contrary to those who would usurp the favourable connotations associated with the word, "rights" are, by definition, negative, imposing constraints on government, but giving rise to no positive obligation upon it. The proposed Charter will contain few, if any, rights, and place few, if any, constraints on government. Rather, in the guise of doing the opposite, it will instead, seek to abolish them, by making government the ultimate arbiter of all that is or is not allowed. *DBS*

WHOSE MONEY?

In its regular Legal Affairs section of Friday March 6, *The Australian* included, as its lead story, a scathing criticism of the Australian Bar Association for its decision to hold its biennial conference this year in London and Strasbourg. Also of those judges and lawyers who have chosen to attend. The paper's right to criticise as it sees fit, and its right to headline and mount such criticism in populist and prurient terms, terms more usually associated with tabloids aimed at a mass market, should not be, and is not, in dispute. It is the basis of such criticism, however, that reflects sadly on the paper's current mindset.

The writer makes some complaint about the cost to the nation of those judges attending, whose conference costs will be paid by their Courts, and also questions the ABA for choosing a European venue, rather than an Australian one, in these difficult times. His main complaint however is the purported government subsidy involved in attendees claiming part of their costs of attending the conference as a tax deduction. By thus using, what he alleges to be the state's money, attendees are purportedly receiving government assistance, at a cost to the public of such amount.

After noting that some judges, whose costs would otherwise have been paid for by their respective Courts, have decided instead to stay home, the paper states, "By staying at home the federal judiciary will save taxpayers money, but will these savings be enough to make up for the lost tax revenue from the scale of this year's conference?"

Elsewhere the author writes, "It's all very clever, and from a barrister's perspective should be great fun. What a pity then that all this fun will come at the expense of taxpayers. This is in reality, a conference that has been made possible by the stupidity of Australian tax law. Come to London and Strasbourg and learn how

to use other peoples taxes to pay for a few nights of luxury. It is of course perfectly legal, but it reeks."

And again, "Right now, though, with jobs disappearing and the government scrambling for every dollar, it is the height of insensitivity to expect taxpayers to subsidise this event."

And further again, "The deductions available to everyone who attends this conference have this effect; taxpayers will be helping to send barristers and some judges to London and Strasbourg."

Of course, deductions are not taxpayers' money. That is why they are referred to as deductions. Taxable income is what is left after deductions have been made. It is taxable income from which the amount payable as tax to the government is calculated and arises. The view that deductions are taxation foregone is based on a premise that all of the income of a state's citizens belongs to the state, and that the portion which the state does not presently take, is the result merely of an act of beneficence by the state in allowing a citizen to retain such portion of his income as it determines. If all of a person's income, the fruit of his or her labour, is the property of the state, then he or she is no longer a free person and a citizen, but rather a slave of the state. Holding to a view that tax deductions are a subsidy reflects a mindset of slavery.

In Anglo-Saxon countries, it is a tradition to regard the law as a bastion of freedom, and the judges and lawyers who practice it as defenders of such freedom. In espousing and adhering to the view that tax deductions are subsidies, *The Australian* has attacked freedom. It is an unfortunate indication of how badly the rot has set in, not only that such attack should appear in the paper itself, but that it should appear in its Legal Affairs section. *DBS*

MORAL HAZARD

Our democratic process is not well served by politicians with one eye permanently fixed on the next election. It leads to ill conceived populist policies developed on the run, full of illogic and short-sightedness, which ultimately do more harm than the good for which they were intended.

The recent proposal to provide free ceiling insulation to 2.2 million owner-occupied houses and an increased rebate for insulating some 500,000 rental properties is one such example.

On the surface it sounds a reasonable response to reduce energy bills and provide a stimulus to the economy. Think again.

Ceiling insulation has been common practice for the last 40 years, with its installation in new buildings mandatory since 1991 in Victoria. If the homeowner hasn't yet considered the cost benefits or increased comfort levels of simple roof insulation worthwhile, after all the public debate in this area over at least the last 3 decades, why should the taxpayer - the majority living in homes with self-funded roofing insulation - foot the bill? Not only have they outlaid the capital cost for their own homes, but now must contribute for other's negligence!

Where is the reward for their foresight, and capital expenditure; for their part in the reduction in of greenhouse gas emissions?

To add insult to injury, the scheme rewards landlords who have avoided the expenditure in the first place, while totally ignoring those who have invested in insulation. There is no direct benefit to

the landlord in improving the fabric of the property, insulation purely benefits the tenant with their increased comfort and/or reduced energy bills.

Similarly, the distribution and application of disaster relief must be addressed calmly and rationally - significant thought must be given to the global handouts of publicly raised donations and government assistance to the February 7 Victorian bushfire victims. It cannot be seen to reward those who did not insure their homes, either at all or adequately. It should not be seen to reward those who did not adequately maintain their homes in preparation for the annual bushfire season. It should not be seen to penalise those, who through planning, managed to save most of their property from serious damage, or only experienced minor damage. It should not penalise those who adequately insured their homes.

Where government attempts to change behaviour, for what ever reason, it must look to introducing a system of fairness, and one which continues to effect change well after the initial monetary injection has passed. It cannot appear to reward laziness, incompetence or appear to penalise initiative, diligence and foresight. The real danger in this system of rebates is that the lesson will be quickly learnt: don't do anything off your own bat, after all, one ends up paying twice - wait until there is an attractive tax funded handout. *RB*

SAY'S LAW: TIME FOR REVIVAL

Jean-Baptiste Say (1767-1832) was a leading French economist, whose work is now somewhat neglected in the Anglo-Saxon world. However as his contemporary, Thomas Jefferson, observed of him: "In France, [he] has the merit of producing a very superior work on the subject of Political Economy. His arrangement is luminous, ideas clear, style perspicuous, and the whole subject brought within half the volume of Smith's work. Add to this considerable advances in correctness and extension of principles." He is, however, probably best remembered today for one or other formulation of the economic principle that bears his name; Say's Law.

Say's Law asserts the proposition that production precedes consumption. On a personal basis, that is self-evident. If one resorts to trade that is no less self-evident. Trade is an exchange of good for good. One must first possess a good, something produced, in order to trade. In so far as a vendor is prepared to accept money, the medium of exchange, such trade, in the absence of coercion, will only occur if the money, as such, is desirable to him or her. The market adapts to the level of desirability of a good by setting its price, if necessary at zero.

Say expounded his law as part of his treatise on the law of markets. It is essentially a truism; an understanding of how the world actually works. He himself never formulated it into any catchphrase or aphorism, which was left subsequently for others to do. It is probably most commonly rendered as "Supply creates its own Demand." This is probably unfortunate since it leaves it too easy to assume that Say was saying that it was enough to produce goods, and that thereafter all such production will be demanded and consumed; in effect, that in a free market, no such thing as a glut could occur. As Say was well aware, for goods to trade, it is necessary for the vendor to desire that which is offered in exchange. Absent such desirability, there could be a glut or oversupply of a good or goods. Provided however that the market remained free, such glut or oversupply could only be short-lived and temporary.

Failure to grasp or acknowledge the actual principle behind the aphorism has made it relatively easy for critics to criticise and allegedly repudiate Say's Law. The most significant critic of Say's Law has been J M Keynes. As he himself acknowledged, if Keynesian theory was to have any credibility, it was necessary for him to repudiate Say's Law; Demand must be seen to create Supply.

Keynesianism became respectable as a consequence of the Great Depression. Keynesian policies, whether actually formulated as such or not, were what most governments, particularly US governments, practised in attempting to deal with it. Quite apart from the contradicting of accepted economic theory, however, such policies were spectacularly unsuccessful. Most economists and historians probably agree with Henry Morgenthau, US Treasury Secretary who in 1939 said; "We have tried spending money. We are spending more than we have ever spent before and it does not work. And I have just one interest, and if I am wrong ... somebody else can have my job. I want to see people get a job. I want to see people get enough to eat. We have never made good on our promises... I say after 8 years of this Administration we have just as much unemployment as when we started... And an enormous debt to boot."

The advent of another world depression has reawakened controversy over Say's Law. Since the 1980s, Keynesianism has generally been regarded as repudiated and essentially discredited. However, once again Governments have returned to Keynesian policies. Given that it was Keynesian policies that made the Great Depression great, we can only speculate as to their reasons. Undoubtedly any democratic government that revealed the actual situation would be unlikely to survive. The reality is we can not now avoid a depression and the accompanying pain. Doing the right thing now however, could ensure that the depression is relatively short, and the pain minimal.

What then is the chance that our government will do the right thing. Unfortunately, the signs are not good. For the depression to be over quickly requires that government interference in the market be reduced, not increased. Workplace reforms, in purporting to protect workers have rather worked to impede the flexibility of the labour market and the insistence on maintaining across-the-board minimal wages above the natural or real rate can only guarantee unemployment. Likewise, for production to expand, entrepreneurs need access to capital. Whilst, with the printing presses running hot, there is no shortage of money, lenders are unlikely to lend, since government insists that interest rates are maintained at a fraction of the real rate. These are but some of government protectionist measures increasingly curtailing the freedom of the market. It is still possible that the present depression will not become the Second Great Depression. One would not want to bet on it however. *DBS*