



# Australian Adam Smith Club (Melbourne)

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

I, however, place economy among the first and most important of republican virtues, and public debt as the greatest of the dangers to be feared. *Thomas Jefferson (1816)*

## Sinclair Davidson

on

# Reflections on the Great Depression and the Great Recession

**The Adam Smith Club will host a meeting on Wednesday the 7<sup>th</sup> of October 2009,  
at the Curry Club Cafe, 396 Bridge Road, Richmond.**

Sinclair Davidson is Professor in the School of Economics, Finance and Marketing at RMIT and a Senior Fellow at the Institute of Public Affairs. He has written extensively on taxation policy in Australia and is a regular contributor to public debate. His opinion pieces have been published in *The Age*, *The Australian*, *Australian Financial Review*, *Sydney Morning Herald*, and *Wall Street Journal Asia*. Sinclair has also published in academic journals such as the *European Journal of Political Economy*, *Journal of Economic Behavior and Organization* and the *Cato Journal*. He blogs at [catallaxyfiles](http://catallaxyfiles.com).

When the Global Financial Crisis (GFC) and consequent economic downturn - what some people are calling 'the Great Recession' - hit, many comparisons with the Great Depression were made. Prof. Davidson will compare what happened then and what is happening now to see what history can tell us about where we are and where we are likely to be going.

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 5<sup>th</sup> of October 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: [twarner@adamsmithclub.org](mailto:twarner@adamsmithclub.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 and .....place(s) at \$45.00 per non-member for the October 7<sup>th</sup> 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

Electronic Bookings & payment can be made by emailing the number of members and non-members attending to [twarner@adamsmithclub.org](mailto:twarner@adamsmithclub.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. Electronic Bookings are not accepted after Friday 2<sup>nd</sup> of October. FEES - a \$2 fee will apply for the transaction.

## JULY DINNER REPORT

The July Meeting was addressed by David Archbald on 'The Future of Energy in Australia'. The power point presentation is available from our website, and the address was a non-stop fact filled tour d'horizon of Australia's blessed natural resources and hobbled leadership. The suggestion that we need more 'leadership' on energy was perhaps a point of contention amongst the audience, that the 'leadership' we have had is chained to an anti-development and anti-nuclear attitude was common ground across the speaker and audience.

The meeting was also the first in nearly ten years that was not a dinner. The nibbles and drinks followed by speaker was a far more affordable option, and although teething problems occurred the committee feels that this alternative format should be included in our future program. Rising costs mean we have now moved to \$40 as the standard member's price for dinner functions.

Many thanks to Tom Bostock for arranging our interstate speaker. *TW*

## A REAL GREEN REVOLUTIONARY

What do Dr. Martin Luther King, Elie Wiesel, Nelson Mandela, Aung San Suu Kyi and Norman Borlaug have in common? They all won the Nobel Peace Prize, the US Presidential Medal of Freedom and the US Congressional Gold Medal.

Only one is a scientist, but a scientist who is credited with saving more lives than anyone in history. Norman Borlaug was of Norwegian stock, born to farming parents in Iowa in 1914. He went to a small one-teacher school, went on to get a Ph.D. in plant pathology and genetics in 1942. Living among farmers in Mexico, he developed high-yield, disease-resistant wheat varieties; a pattern he reproduced in other countries, including India. He provided farmers with varieties of food plants that allowed them to greatly and more reliably increase their food production, and thus income.

Being awarded the Nobel Peace Prize in 1970 for

his work in what became known as "the Green Revolution", he used his prestige to argue for better policies: notably to discourage governments from paying their farmers under world food prices for their crops. He created the World Food Prize in 1986, which honours those who have advanced human development by improving the quality, quantity or availability of food in the world.

Norman Borlaug, who died recently aged 95, personified practical humanitarianism. (He was, it is reported, an opponent of the "war on drugs" for example.) He went out and did, to the great benefit of humanity. In a world where selling millions of records makes one's death more newsworthy than saving hundreds of millions of lives, Norman Borlaug's life is worth remembering and celebrating.

*MW*

### VENUE ARRANGEMENTS

For the Curry Club Cafe, 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.

### GLOBAL WARMING DOCUMENTARY

A new documentary has been released on the Global Warming hysteria - **"Not Evil, Just Wrong"** - to purchase or arrange a screening the website is the easily remembered <http://www.noteviljustwrong.com/>

# Laissez Faire

Newsletter of the Australian Adam Smith Club (Melbourne), No 93, September 2009



## PROUD TO BE AN AUSSIE

At the web site for the “United Nations Climate Change Conference Dec 7-Dec18, 2009”, (usually referred to as COP15) <http://en.cop15.dk/>, there appeared a news item on September 11 which made me proud to be Australian. Although not intended as a compliment, the big headline “Australians produce the most CO<sub>2</sub>” had me smiling broadly. According to the article, “Australians have overtaken Americans as the world’s number one individual producers of carbon dioxide, British risk consultancy Maplecroft says.” A number one for Australia!

Leaving aside any questions about the methodology of how the ratings were derived, even the most bigoted global warmist can’t deny the fact that the Anthropogenic Global Warming (AGW) theory projects future temperature increases based on the total concentration of CO<sub>2</sub> in the atmosphere - Gaia couldn’t care less about the per capita production CO<sub>2</sub>. In AGW theory, it is the total concentration that counts.

The article’s intention is to make us feel guilty for producing more CO<sub>2</sub> per capita than any other country in the world. As CO<sub>2</sub> is plant food, it really means that Australia is doing more than its fair share in greening the planet.

Soon after reading the above article, a work colleague sent me a link to an item on the Australian WWF web site, <http://www.wwf.org.au/news/n223/>, with the headline “Hazelwood tops international list of dirty power stations.” The article goes on to state, “Victoria’s out-dated Hazelwood power station is the most polluting of all power stations operating in the world’s major industrialised countries.

“WWF has collected data on large-scale coal-fired power stations from 30 industrialised countries including Australia,

Europe and the US.

“The 40-year-old power station in Victoria’s Latrobe Valley spews out an astonishing 1.58 million tonnes of carbon dioxide every month.”

Naively, I thought this was going to be an article about all the horrible pollutants (particulates, hydrocarbons and carcinogens) coming out of Hazelwood. I seem to recall that some years ago a statistic indicated that the Latrobe Valley has the highest incidence of lung cancer and heart disease in Victoria. (It should be pointed out that such a statistical correlation does not prove that the brown coal power stations are the cause of the high incidence of lung and heart disease. Indeed it turns out that much of the lung cancer appears to have been caused by excessive use of asbestos.) But no, the WWF article calls the odourless, colourless, naturally occurring and necessary for life atmospheric trace gas CO<sub>2</sub> a “dirty” pollutant.

The human contribution to the total amount of CO<sub>2</sub> (just under 400 parts per million by volume) in the atmosphere comes to about 3.2%. (See <http://tinyurl.com/gw-thenumbers>.) That means that almost 97% of the CO<sub>2</sub> in the atmosphere is naturally produced. How can this be a “dirty” pollutant? Perhaps CO<sub>2</sub> from Hazelwood is the cause of the high lung & heart disease in the Latrobe Valley. I am surprised WWF has not yet “joined the dots”.

As an aside, how can reducing the human emissions of CO<sub>2</sub> by any amount be expected to have a measurable effect on global temperature when human emissions only make up 3.2% of the total CO<sub>2</sub> in the atmosphere? Answer: It can’t. *MG*

## THE CRISIS IS OVER. RIIIGGGHHHTTTT!

No need to worry folks, the crisis is over. This particular piece of good news comes from the highest authority. Government Leaders, Senior Bureaucrats, Mainstream Media, Major Bankers; all are seemingly in agreement on this. The various massive government stimulus packages have done the trick. The world has been saved from what threatened to be a potential Second Great Depression.

Yet amidst the sounds of cheering and the popping of champagne corks, something still does not seem right. Perhaps it’s the seeming inexorable slide in the world’s reserve currency, the US dollar, which has now shed 14% in value in the last 6 months. Perhaps it’s the crushing and rapidly accelerating level of debt that the major economies, particularly the American, are taking on, which debt can not conceivably be repaid, even in a multitude of lifetimes, and with the aid of a new granddaddy of all tax scams, the carbon tax. Or perhaps it’s because, at the same time as world leaders are attending international conferences and loudly proclaiming their intention not to repeat the protectionist measures which helped make the Great Depression great, protectionism is on the rise worldwide. Ninety one such complaints to the World Trade Organization have been initiated in the last 6 months against G20 countries. And the USA has just imposed a 35% tariff on Chinese tyres, to which predictably the Chinese have responded, alleging the dumping of American automotive and chicken products.

Underscoring the difference between spin and reality is the news that world trade has collapsed. Moreover the speed and steepness of the ongoing fall has been greater than the similar devastating occurrence which marked the Great Depression. Presently, off the coast of Malaysia, 80 kilometres east of Singapore, a ghost fleet lies anchored. In a secretive mooring, the greatest fleet ever assembled of empty and unneeded merchant vessels, tankers, container ships, bulk carriers, cargo ships of all descriptions, have been laid up, waiting for things to improve and for them to be used once more. For many, their next voyage will be to the wreckers’ yards.

It’s difficult to be a sceptic. After all, nobody really likes a party pooper. Yet in the face of the evidence, it’s impossible not to be.

*DBS*

## UNFORSEEN CONSEQUENCES

The adage “buyer beware” is never truer than when purchasing a property. The purchase of a house is often the largest investment most people make in their lifetime, yet it is amazing how often it is made with little research. A serious defect can set one back many tens of thousands of dollars. Currently, it is the purchaser’s responsibility to assess the risk of purchase. A prudent purchaser will arrange for a pre-purchase property inspection and assess the risk against the evident defects and condition of the property noted in the inspection report.

The ACT has enacted legislation making structural and pest inspections mandatory as part of a vendor’s disclosure to a prospective purchaser and there is increasing pressure to extend the legislation, with additional audits, nationally.

This will not only add thousands of dollars to the cost of selling one’s home, it will also open the vendor to potential liability.

Under the relevant Australian Standard, a structural inspection is a small component of a property inspection. A full property inspection, on the other hand, is a professional opinion on the visible condition of the property at a point in time. The condition of a property is dependent on many factors including its age, type of

construction, soil (foundation) conditions, maintenance, environmental and weather conditions, neighbourhood conditions amongst others. Many elements and factors are concealed within the building fabric, under the ground or will be unknown on the day of the inspection. A property’s condition is not static. A poorly maintained property will generally fare worse than a well maintained one.

In most states, the level of information the vendor is required to provide, which is also readily available through a due diligence examination, covers Council, planning and utilities documentation relating to the property. The vendor is liable if false information is provided. How will the law view opinion?

As this proposed legislation is likely to leave the vendor defending their liability for the rectification of any ensuing defects, possibly for years after the property has changed hands, several unforeseen consequences may be a significant reduction in the number of properties on the market, an increase in home renovation and home sub-division (down sizing), a significant reduction in state income by way of property sale stamp duty and a further serious impediment to first home buyers. *RB*

### “ETS will kill Tourism, Transport and Trade”

Media Release 13 September 2009

The Carbon Sense Coalition today claimed that the emissions trading schemes proposed for the western world will guarantee another global financial crisis for tourism, transport and world trade.

The Chairman of “Carbon Sense” Mr Viv Forbes, said that the real global warming crisis, for tourism and trade, was being created in Parliament.

He comments:

“All carbon control schemes have at their core two essential features aimed at reducing man’s production of the harmless gas, carbon dioxide.

Firstly, increasingly severe rationing of carbon dioxide (CO<sub>2</sub>) releases. Secondly, taxes on all permitted emissions and punitive taxes on any excess. They are all Ration-and-Tax Schemes and they will all enforce arbitrary reductions by 2020.

“But not one car, truck, bus, train, plane or ship can move without producing CO<sub>2</sub>. There is no possibility that this will change significantly before the doomsday year of 2020, just a decade away. Therefore neither Australia nor New Zealand can cut CO<sub>2</sub> emissions by 2020 without slowly strangling all those industries that rely on moving people or goods.

“Our politicians should be asked, individually, what food, mineral products and travel they propose doing without in order to meet the 2020 cuts specified in their Ration-and-Tax Schemes.

“Australia and New Zealand comprise four lonely islands in the vast southern oceans which stretch from Africa to South America  
“However, world population, political power and finance are concentrated far away in the Northern Hemisphere.

“Apart from a few stock horses used by drovers, the occasional sailing yacht, some suburban bicycles and some hydro power that moves trains, our transport fleets rely totally on petrol, diesel, gas and coal. There are no solar powered aeroplanes or sail powered ocean liners - all produce CO<sub>2</sub>.

“Neither country can import tourists, get mineral and food products to their cities or export goods to world markets without producing CO<sub>2</sub>.

“Already France has introduced travel rationing using a carbon tax and the UK Institute for Public Policy says that “the government may need to introduce carbon rationing to cut pollution from everyday activities such as filling up the car, using electricity and flying abroad for holidays”. A UK government committee even proposes that airline taxes should be raised progressively to “a level that would put people off flying”.

“Our politicians should be asked what effect these measures and our local Ration-N-Tax Schemes will have on the South Pacific tourist industries.

“And why are Australian politicians rushing to construct transport infrastructure for trucks, trains, planes and ships if all of these industries are going to be subject to mandatory rationing and taxes – no additional infrastructure or jobs are needed for a world in which tourism, transport and trade are doomed to contract.

“It is a sad indictment of business, media, opposition parties and union leaders in Australia and New Zealand that so few are asking these vital questions.

“The Ration-N-Tax Schemes will have zero beneficial effects but, they will cause crippling contraction and job losses in our backbone industries.

“This is the real global warming crisis.”

Viv Forbes

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