

Australian Adam Smith Club (Melbourne)

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

Their business is not with the possible but with the actual – not with a world which might be, but with a world that is. They have but one desire – to know the truth. They have but one fear – to believe a lie. **John Tyndall (1870)**

Science has fulfilled her function when she has ascertained and enunciated truth. **T. H. Huxley (1863)**

Mannie Gross on How to Smell a (Scientific) Rat

**The Adam Smith Club will host a meeting on Tuesday the 8th of December 2009,
at the Curry Club Cafe, 396 Bridge Road, Richmond 3121.**

Mannie Gross is Vice President of Australian Adam Smith Club and has a BSc(Hons) and MSc from the University of Melbourne. From a young age he has been interested in the history and philosophy of science. The issue of global warming first came to his attention in the 1990s after hearing John F Daly address the Club and reading his book *The Greenhouse Trap: Why the Greenhouse Effect Will Not End Life On Earth*.

The speaker will explain how, armed with the scientific method, (which any layman can comprehend), a few rules of thumb and elementary logic the anthropogenic global warming (AGW) theory can be thoroughly refuted. The question then is why do so many scientists believe in AGW theory?

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 7th of December 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 Timothy Warner, mob. 0408 321 948
or email: 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 andplace(s) at \$45.00 per non-member for the December 8th 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/laissezz.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 for dinner meetings. Bookings can be made by emailing the number of members and non-members attending to 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. Bookings made after Friday 5th of December will not be accepted online. FEES - a \$2 card fee will apply for the transaction.

OCTOBER DINNER REPORT

The October meeting of the club was held at the Curry Club Cafe with Sinclair Davidson of RMIT and *Catallaxy* as guest of honour. The well supported meeting, with Club attendees from the former grandees of both Treasury and the Reserve Bank, had a meaty presentation by Professor Davidson. He showed clearly the differing results from the Roosevelt/Hoover programme in the United States and the Premiers Plan in Australia during the 1930's. He also showed how the current stimulus package was out of kilter with the realities of the mild down turn in Australia.

The eye brows of Austrian purists were raised by the call by Prof Davidson for a more statistical and modelled approach for the Austrian School to gain the higher ground of economic debate. The vote of thanks was by former Reserve Bank notable Peter Jonson (aka Henry Thornton). The Curry was up to the usual high standard, and although the changing weather led to some 'anthropogenic room warming' issues, a good time was had by all. *TW*

"Snouts in the Carbon Trough."

Mr Rudd accuses opponents of his Ration-N-Tax Scheme of "bowing to vested interests". That is the pot calling the kettle black.

The biggest vested interest is the ALP itself, hoping to harvest Green preference votes from their green posturing. Supporting the alarmists is the gaggle of green industries already reaping dividends from the Rudd subsidies and market protection rackets.

Mr Rudd also tells us that his big business mates want the "certainty" of Emissions Trading. A roll call of these people reveals domination by big firms of auditors and accountants, bankers and brokers, speculators and solicitors, touts and traders - all longing to get into the biggest trading lottery the world has ever seen - more snouts in the carbon trough. The rest of big business merely wants the "certainty" of free emission permits or other special exemptions denied to Joe the Plumber and Fred the Farmer.

Sceptics on the other hand do not have a mercenary army of academics, bureaucrats and publicists who can be bribed or bullied to produce scary climate forecasts or doomsdays ads on demand. Nor do sceptics have the power to silence or sack dissidents in their ranks.

Nor do they have the pulpits and power of the UN which, having failed at "peace keeping", sees "climate control" as its new business model.

The climate realists have only one big vested interest - the desire to live their lives free from the "certainty" of new taxes on everything they buy and new controls on everything they do.

This is not about global pollution or global warming - it is about global energy taxes, global government and global redistribution.

Viv Forbes

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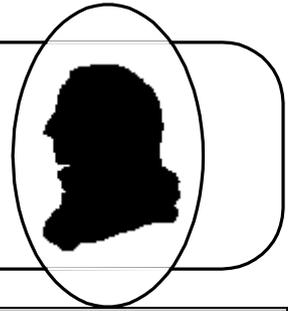
(07) 54 640 533

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. We hope these arrangements do not cause inconvenience and we welcome your feedback.

Laissez Faire

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A TALE OF TWO CITIES

Typical characteristics of modern recessions are increased protectionism, and in a world of fiat currencies, competitive devaluations. The current recession is no exception. For many years China kept its currency, the Yuan or Renminbi (RMB) pegged at a fixed exchange rate with the US dollar. Since in recent decades, most national currencies have been allowed to float relative to each other, this was in itself somewhat unusual. The reason why is worth considering

At its rate as fixed, the RMB was undervalued compared to the US dollar. It meant that goods produced in China generally sold in the USA for considerably less than for what they could be produced in the USA. This produced a number of predictable results. Firstly China has become the workshop of the world producing large volumes of consumer and other goods for sale to other countries, particularly to the USA. In the face of such cheap Chinese goods, manufacturers in other countries, particularly the USA, have shifted their production to China. This suited Beijing. China acquired a huge manufacturing base, and massive foreign, particularly American, financial reserves. It also meant that the Chinese masses were kept poorer than they otherwise would have been, receiving far less value for their efforts than they could have expected.

Conversely, Washington was also satisfied. Since 1971, when it reneged on its promise to foreign governments to redeem its dollars in gold, the USA has been able to buy the products of the world simply by printing money. Americans were able to live beyond their means, consuming far more than what they produced. Washington could print and spend, and foreigners were happy to take US dollars in the belief that the accumulated wealth of America would ensure that they retained their value. As America has de-industrialized, such belief has begun to wane. Despite the flood of printed dollars and the millions of unemployed, Americans generally were able to retain their standard of living, due in no small part to the availability of cheap, particularly Chinese, imports. As the world has lost faith in the accumulated wealth of America, however, this has begun to change.

Whilst the artificial imbalance between China and the USA suited both governments it obviously could not continue forever. As Washington became alarmed at the speed of American decay, it pressured China to raise the exchange rate of its currency. Beijing also, concerned

about unrest amongst its own people, deprived in large measure of the value of their efforts, began a gradual raising of the exchange rate. However the onset of the current recession has revealed the true consequences of both governments' previous folly.

China is geared up to sell to a world, particularly to an America, that no longer exists. Alarmed by the consequences of the recession, which has caused a catastrophic fall-off in its factory output and employment, Beijing has re-imposed a fixed exchange rate, thereby effectively devaluing its currency against its competitors with floating exchange rates, such as Taiwan, South Korea, Brazil and so forth, the currencies of which were rising in value against the US dollar. But the world no longer has faith in the ongoing value of the US dollar. Washington wants a gradual decline in the value of US dollar, hoping thereby to revive American industry to be able to compete on the world stage, without at the same time causing a major decline in American living standards. In effect, both sides are hoping for a miracle. In the meantime countries around the world, alarmed by the manipulations of the two giants, the USA and China, are intervening in their own currency market seeking to stop its rise against the US dollar, and imposing tariffs and trade controls, raising the spectre of a re-run of the 1930s.

Washington and Beijing now face major problems. On the face of it Beijing seems in better shape. This, however, could well be an illusion. There is ample evidence to suggest that China is vastly overcapitalized in many key areas of production, such as steel, cement and luxury goods. If the world ceases to buy, there is little hope that its home market could take up the slack in these areas. Also world-wide interest rates, which generally have been at record lows, are showing signs of rising. In the recession to date, Chinese banks have incurred massive long-term debt, which will now need to be serviced by rising short-term interest rates, causing the entire banking system to come under strain

Whilst the days when American spending could carry the world are seemingly over, the countries of the world are pinning their hope on the Chinese taking up the burden. Those who know their Kipling will no doubt be amused by the role reversal. The rest of the world, including in particular Australia, can only wish them well and hope they succeed. *DBS*

BUY AUSTRALIAN

The “Buy Australian” campaign is long and well established in Australia. A public company, Australian Made Campaign Ltd exists, to endorse and certify Australian made and grown products. Sponsored and supported by the Australian Chamber of Commerce and Industry, it promotes its own distinctive label, a triangular shaped badge with a gold kangaroo on a green field, to identify and certify Australian produced products. It aims to encourage Australians to buy Australian goods and products in preference to those of foreign producers.

Such campaign is seemingly viewed with favour by Australians generally. Polls suggest that more than two thirds of Australians will purposely choose to purchase an Australian product if possible. While proponents and supporters are generally content for the choice to be voluntary, there are strong and persistent calls to make purchasing Australian mandatory.

The “Buy Australian” campaign is a form of protectionism; subtle when voluntary, less so when mandatory. Its ultimate goal is to inhibit trade with foreign producers. As such it is practised throughout the world. Calls to “buy American” or “buy British” are equally prevalent in their respective countries, as are similar slogans in many if not most foreign countries, albeit in each such foreign country’s own particular language.

The driving force behind the call to buy Australian is a desire to achieve national economic self-sufficiency, or what in economics is referred to as autarky. In theory autarky can be aimed for at any level such as state, province, city, suburb, company, or even a person. We could thus have similar such campaigns for Victoria, Gippsland, Melbourne, Hawthorn, Dick Smith Foods, or for me. In practice the more parochial versions are rare. Typically such campaigns rely on and act as a spur to a spirit of nationalism.

Unrestricted free trade or inadequate protection enables cheaper foreign suppliers to undercut Australian producers, particularly manufacturers, reducing their sales and hence their profits, resulting in them closing down, or moving their plant to cheaper overseas locations. Just such, for example, recently occurred to Pacific Brands. This process, referred to as deindustrialization, means jobs are lost in Australia. For those affected, this can be particularly tragic, since many workers, particularly the older and most skilled are unlikely to find comparable jobs or earn similar income again. Choosing an Australian product, when purchasing, in preference to a foreign one, helps save some Australian businesses, including in particular, the jobs of some Australian workers.

ARGUMENTS FOR

Money spent by Australians on imported goods and services goes to overseas suppliers and hence is no longer available to be spent in Australia, thus reducing the incomes of those producers and workers who might otherwise have expected to benefit therefrom. Preferring Australian suppliers when purchasing keeps the money in Australia.

Goods and services sourced from overseas are not subject to the same strict regulatory health and safety standards as Australian and are not capable of the same scrutiny to ensure compliance with acceptable standards.

A frequent extension of the exhortation to buy Australian is for the campaign to favour not only Australian made and grown products in a geographic sense, but to include Australian owned businesses in preference to those owned by foreigners, regardless of their actual location in Australia and their employment of Australian workers. Preferring Australian owned, means profits and dividends stay in Australia.

ARGUMENTS AGAINST

A campaign to buy Australian invites and justifies retaliation against our exports via, for example, a Buy Japanese or a Buy American campaign. Research suggests that the large sums allegedly saved by buying Australian is essentially a myth. As Lindsay Tanner, the Federal Minister for Finance & Deregulation said on 28 July 2009, in the context of calls by unions for a mandatory preferential procurement policy for Australian firms in government contracts, after proclaiming his government’s resolute opposition to such policies; “The notion that there are big gains for Australian companies and workers to be won from discriminatory procurement policies is essentially a mirage. Research by my Department that I am releasing today, shows that the possible benefits are very modest.” Somewhat amusingly or tragically depending on your point of view, the next day the Commonwealth government announced a major preferential procurement policy for government contracts.

Stripped of its nationalistic and emotional rhetoric, the campaign to buy Australian is simply a plea for protectionism, particularly when the call is for it to be made mandatory. In such circumstances the usual arguments against protectionism are applicable. Trade and the inflow of capital are of general benefit to all whilst assistance, which inhibits or prevents trade or the inflow of such capital, benefits the few at the expense of the many. *DBS*