



Australian Adam Smith Club (Melbourne)

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

Self command is not only itself a great virtue, but from it all the other virtues seem to derive their principal lustre.
Adam Smith (1723-1790)

David Sharp on THE 21st CENTURY - WHY ADAM SMITH?

**The Adam Smith Club will host a dinner meeting on Tuesday the 18th of November, 2003,
at the Universal Café, 428 Burwood Rd, Hawthorn.**

In April 1983 the Australian Adam Smith Club [Melbourne] held its initial dinner meeting. The night was a huge success. To celebrate the completion of its first twenty years the Club will hold a commemorative dinner meeting. Founding President David Sharp will address the Club on the appropriateness of the choice of Adam Smith as the Club's patron and what the great 18th Century Scottish moral philosopher and economist has to offer in the 21st Century.

To mark the occasion the Club will also take the opportunity to present an award to Frank Penhalluriack, acknowledging his significant contribution (at no small personal cost) to the successful campaign to free Victorians to trade when they pleased.

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 17th of November 2003. Tickets will not be sent. Those attending should arrive at 6:30pm for dinner at 7:00pm. The cost is \$38.00 per head for members and \$43.00 per head for non-members (PTO for explanation of arrangements).

**Enquiries to Ms Regina Bron, tel 9859 8277 or 0412 006 786 (both AH)
or Dr Tom Jellinek, tel 0413 755 533 (BH)**



detach and return

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

Please reserve place(s) at \$38.00 dollars per member andplace(s) at \$43.00 per non-member for the November 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.'

REPORT ON THE JULY MEETING.

The July meeting was well attended, especially given the compressed nature of our mid-year programme. Three speakers in nine weeks is the equal fastest set of dinners in recent memory.

A great talk by William Coleman on "Economics and its Enemies" was hampered by the unfortunate coincidence of a gallery opening descending on-mass to our venue. The resulting noise from the restaurant marred an otherwise fascinating presentation of the thesis from his book of the same title.

The use of economic terms in non-economic analysis, couching political commentators' words in economic clothing, is a grave danger to both economics and our economies. For the results of this anti-economics is to blame economics for the muddled thinking of the discipline's enemies.

The original paper from which he spoke is available via a link on the Laissez Faire archive page of our website.

Tim Warner

Hon Secretary/Treasurer

Australian Adam Smith Club

STANDARDS

An ongoing debate amongst those in favour of markets is how much market is too much. The radio and TV spectrum is a common sticking point between the purists and those who hold what they see as more practical opinions.

At the end of October the Australian Broadcasting Authority called for expressions of interest to run trials of digital radio. This may seem a common place announcement, but the amazing point is that those wishing to trial the new medium are to be given a tabula rasa over the method; No stipulation as to a particular modulation, polarisation or the audio content of the test. This is a real opportunity for new technologies to strut their stuff.

It is not of course to say that the ABA will refrain from issuing one technology a monopoly when the band is to be fully utilised, but at least the technologies will have a chance to be compared.

The broadcast standards are suitable for natural monopoly, in the same way that video cassettes, audio cassettes and compact disks have all surrendered to unitary standards after an initial fight. The public wants to be able to choose content with a minimum of fuss, the operator that stands aloof - even with a technically superior product - will be crushed. What has generally been missing from Government action in these areas is the acceptance that there is a choice to be made and that

Government is not necessarily the best at making that choice.

The final step - to allow non-standard operations to continue is the biggest step and may not occur this time. The example of Beta and VHS shows, however, that just because one was a winner didn't mean that the other standard was useless. Beta continued for fifteen years as THE standard for professional news video. The standard failed at selling and hiring movies but that didn't mean it had no place. Differing standards may not win the digital radio race, but arguments about retaining these technologies should not be dismissed just for the sake of uniformity. TW

VENUE ARRANGEMENTS

Drink is not included in the price but can be purchased at the venue (house wine \$5/glass or \$19.50/bottle). For BYO wine there is a \$3 corkage fee.

Laissez Faire

Newsletter of the Australian Adam Smith Club (Melbourne), No 66, November 2003



THE BOTTOM FALLS OUT

In order to convince the world that the Kyoto protocol is necessary environmentalists and power lustling politicians require the façade of scientific authenticity. To this end, the United Nations created the Intergovernmental Panel on Climate Change (IPCC), a scientific body that reports on climate change every few years. The scientific reports are typically hundreds of pages of carefully worded detailed analyses that do not conclude that anthropogenic greenhouse gas production is causing an increase of the Earth's temperature. However report summaries which are produced by politicians typically distort the scientific reports to claim the world is on its way to climate catastrophe if we don't adopt (as a first step) the Kyoto protocol.

Although not proof, if the environmentalists could show that the current temperatures were the highest in say one thousand years, then they could say that our current temperatures are unprecedented and must be caused by human generation of greenhouse gases (mostly carbon dioxide). Unfortunately no such evidence existed. All scientific reports indicated that there was a medieval warm period from c. 1000-1350 AD (warmer than today) and a little ice age from c. 1400 – 1850 AD. However in papers published in 1998 and 1999 (whose main author was Dr Michael Mann of the Department of Geosciences, University of Massachusetts) it is claimed that there was no medieval warm period. It produced a graph of temperature versus time for the Northern hemisphere which seemed to indicate a relatively flat temperature over time until about 1900 when the temperature began to rise to an unprecedented high by 1980. Due to its shape this graph became known as the "hockey stick".

This was just what the environmentalists needed and Mann et al's paper was lauded by the IPCC as the final proof of humanity's culpability in causing the rise in temperature of the Twentieth Century. There was no scrutiny of the evidence in Mann et al's paper in the mainstream scientific literature, notwithstanding that it contradicted literally dozens of previously peer reviewed papers all indicating a Medieval Warm Period that was hotter than today.

Four years after the Mann et al publication, Stephen McIntyre and Ross McKittrick published *Corrections To The Mann et. al. (1998) Proxy Data Base And Northern Hemispheric Average Temperature Series* in the journal *Energy and Environment* (Volume 14, Number 6, 2003). Part of the abstract to their paper states, "The particular "hockey stick" shape derived in the MBH98 proxy construction - a temperature index that decreases slightly between the early 15th century and early 20th century and then increases dramatically up to 1980 - is primarily an artefact of poor data handling, obsolete data and incorrect calculation of principal components."

This McIntyre/McKittrick paper will not receive the same press as the original Mann papers. However there are now enough critics of the global warming edifice that the Kyoto lobby will be forced to concede that one of their major foundations has been pulled out from beneath them. (For more information on this topic see:

<http://www.john-daly.com/#hockey>,

<http://www.nationalpost.com/financialpost/story.html?id=06C603EF-5B3F-49CF-ACAC-50D9F895E7DE>,

http://www.usatoday.com/news/opinion/editorials/2003-10-28-schulz_x.htm, MG

SOCIALISM SUX AND OTHER TRUISMS

They say that 90% of people are socialists now. This is probably an improvement on not so long ago when we were told that "We are all socialists now." It is however always a pleasure to come across one or more of the people who are not. It is akin to the pleasure one Outsider feels when he spots another at an Insiders' gathering. So last night driving home late along Burwood Road and seeing the bright sign outside the Hotel made me feel good.

On first sight I almost missed it; I was 100 metres past it before I

realised the full import of what I had read. As a result I had to do a U-turn and go back and re-read it. But sure enough, there it was; "Mr Bracks I have to sell 120 pots a day to pay land tax", And on the reverse was another similar sign to the effect that the tax should be opposed and that 24 jobs were threatened by it.

I probably should not get excited about it. Perhaps the person responsible for the sign is a Socialist anyway but one who just does not like that particular tax. Somehow I do not think so. Anyway even if he is and

only thinks to oppose a particular measure, it is a step in the right direction.

I feel indebted to the person responsible for the sign for making me feel good. I am going to go back to that hotel but when it is open and buy a drink there. I do not want to thank him personally although I might mention to the bartender that I agree with the sign. And the next time someone asks me to go to a hotel for a drink or a meal I know where to go.

DBS

RESTORING HONEST MONEY

Ron Paul is an American Congressman. He is an atypical politician; principled rather than pragmatic. His political record is a surprisingly long one, dating back to 1976, and is reflective more of a man concerned with doing the right thing than pursuing an ideology or achieving party political advancement. On 29 July 2003, Paul introduced into the U.S. House of Representatives the provocatively named Honest Money Act and urged his colleagues to co-sponsor it.

The Honest Money Act proposes no less than the abolition of Legal Tender, the statutory law which mandates that tender of a specified currency is a valid offer of payment for any debt. Although presently the creditor is theoretically not compelled by law to accept the offer, such is the effective result since otherwise the creditor is left without an alternative legal remedy. If the creditor refuses to accept payment in Legal Tender he cannot legally compel payment in any other form. Legal Tender laws are the usual accompaniment of so called Fiat Money currency, the measure of which is decreed by government rather than being intrinsic.

As Paul notes in his introduction, absent Legal Tender, many Americans would refuse to accept the US government's present fiat irredeemable paper currency. By its very nature such money is guaranteed to lose value. The government is thereby effectively stealing the purchasing power of ordinary citizens for the benefit of a small especially privileged financial elite favoured by it. That the government has been able to maintain Legal Tender for so long is testimony to the confusion and ignorance that surrounds the subject and the determination of the beneficiaries of such chicanery to maintain their privileged position for as long as possible.

Money is the greatest invention (or as some would prefer, discovery) in the history of mankind's economic advancement. It is the keystone of western civilization. After sex, it is the most discussed topic of conversation. Yet probably only a tiny fraction of the population understands its significance or is aware of what it actually is or how it works. Partly at least this is due to the inherent complexities of the subject although, paradoxically, it is likely that such understanding is more widespread amongst poor and less well educated peoples than within advanced and affluent societies.

A monopoly on the creation of money coupled with the ability to pass legal tender laws has generally been the privilege most vigorously pursued and, once acquired, most jealously guarded by governments throughout history. Without such power, big government, as practised today throughout the world, would be impossible. There is thus little incentive for governments to include the study of money in school curricula since, at the very least, such study can only bring into question the very basis of such monopoly.

Paul notes in his introductory speech how the constitutional intent of the American Founding Fathers had been subverted. The memory of the Continental, the paper money of the Continental Congress was fresh in their minds when the Constitution was drafted; Continental notes issued at par in 1775-6 had become worth only two and a half cents by 1780. This had caused great distress, especially amongst the poor and working class. Congress, a legislature of enumerated powers, was given no power of Legal Tender and the States were enjoined from making Legal Tender of anything other than gold and silver.

The American Civil War (1861-65) provided the opportunity for Legal Tender to be introduced and following the war, a suitably selected Supreme Court was persuaded 5-4 to reverse its

earlier contrary decision and indorse its validity. Paul quotes Chief Justice Chase in his dissenting judgment; "The legal tender quality (of money) is only valuable for the purpose of dishonesty".

(The Australian Constitutional situation is somewhat different. Section 115 likewise precludes the States from coining money or making anything other than gold and silver coins a legal tender but S.51 [xiii] specifically empowers the Federal Parliament to make laws with respect to the issue of paper money and S.51 [xii] empowers it to make laws with respect to currency coinage and legal tender.)

What then are the consequences of legal tender, particularly as in recent years the governments of the world, most importantly that of the USA, have by a variety of means flooded the world with fiat money. It is legal tender, which enables a government to go on spending year after year more than it is receives back in taxes and fines. The effect of the increased volume of money is to decrease the worth of the existing money, effectively transferring the amount of such decrease in worth to the government and those whom it favours. Such deprivation constitutes a taking of private property without compensation, which is specifically prohibited by both the American and Australian Constitutions, but which presently would be unlikely to be proscribed by courts in either country.

The ultimate effect of legal tender paper money is to subvert all constitutional constraints. As Paul states; "A government with unrestrained powers is properly characterised as tyrannical". There is however an economic as well as a legal and political effect. Economists are divided as to just what that might be. They paint four possible scenarios, two optimistic and two pessimistic.

The first, beloved by central bankers is that the ever increasing flood of money will stimulate greater productivity which will, by judicious management, balancing and international cooperation, lead to greater prosperity for all. Fewer and fewer now believe in such a scenario.

The second viewpoint, also optimistic, is that although the present position is potentially disastrous, no disaster will occur. Humanity has proved extremely resourceful and resilient in the past. Those who support this view (and they probably constitute the majority) suggest that the world has been going to hell in a handcart for many decades now and has not got there yet. Like Adam Smith, they point out that there is much ruin in a nation and believe mankind, if and when pushed, will, as in the past, fumble its way through. The smart money would probably back such view.

The third and fourth viewpoints are both disaster scenarios, differing only in the method of destruction. Whilst both viewpoints agree that the present monetary system is unsustainable, the third group, the deflationists believe the governments of the world will eventually try to rein in the exponentially expanding growth in money and thereby trigger a deflationary depression of monumental proportions. Conversely the fourth viewpoint is that the governments of the world lack the necessary resolve to do what is required to rein in the monetary growth and that the inevitable end is runaway inflation which will wipe out world wide the present monetary systems.

Ron Paul's words and actions seem to suggest that he is of the second and optimistic viewpoint. Or perhaps he shares the pessimistic deflationist viewpoint but regards the honest and ethical thing to do as sufficient and appropriate justification for his actions. *DBS*