



Australian Adam Smith Club (Melbourne)

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

Experience teaches us to be most on our guard to protect liberty when the government's purposes are beneficent.
Justice Louis D. Brandeis: Opinion in Olmstead vs. U.S. (1928)

Bob Day on The Tyranny of Urban Planning: Home Truths about Home Affordability

**The Adam Smith Club will host a dinner meeting on Monday the 7th of April 2008,
at the Curry Club Cafe, 396 Bridge Road, Richmond.**

The contribution of Bob Day to the Australian community extends far beyond his business interests as one of Australia's leading home builders. His strong interest in youth unemployment, homelessness, urban planning, federalism and industrial relations has been reflected in a wide range of appointments which include: National President of the Housing Industry Association, Founder of Independent Contractors of Australia, Director and Adam Smith Fellow of The Centre for Independent Studies, Member of the National Work for the Dole Advisory Committee, Chairman of North East Vocational College, Founder of nationbuild.com, Chairman of The Great Australian Dream Project. On Australia Day 2003 he was appointed an Officer of the Order of Australia for service to the housing industry, to social welfare - particularly housing the homeless - and to the community. Later that same year he was awarded the Centenary of Federation medal for service to housing and charity. In 2005 he was awarded the Pride of Australia medal for 'Community Spirit' for restoring the village of Houghton and creating the Soldiers Memorial Walk and Remembrance Wall.

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 4th of April 2008. Tickets will not be sent. Those attending should arrive at 6:30pm for dinner at 7:00pm. The cost is \$35.00 per head for members and \$40.00 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 \$35.00 dollars per member andplace(s) at \$40.00 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.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.'

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 Thursday 3rd of April will not be accepted online. FEES - a \$2 card fee will apply for the transaction.

TAIWAN CHANGES COURSE

Saturday 22 March 2008 saw Taiwan set sail on a new course by electing former mayor of Taipei Ma Ying-jeou as 12th president of the Republic of China in a landslide victory. Ma, a Harvard-educated lawyer, has a reputation as being a "Mr. Clean," in contrast to the former president, Chen Shui-bian, whose administration was consumed in an ongoing series of corruption scandals.

Chen was the first non-Kuomintang president to be elected to government since the forces of Chiang Kai-shek retreated to Taiwan at the end of the civil war in China in 1949. The Kuomintang, or Chinese Nationalist Party, has been associated with the Republic of China in 1911. Chen was one of the founding fathers of the Democratic Progressive Party (DPP), the main opposition party in Taiwan. Its main policy is for Taiwan to declare itself independent of China. Taiwan is still officially part of China, although it has been in a state of de facto independence since the KMT retreated to Taipei in 1949.

Under the leadership of President Ma, Taiwan can be expected to form closer links with China. Although an estimated one million businessmen and their families from Taiwan are living in China and Taiwan has invested some US\$100 billion in China, Taiwan has largely missed out on the China boom. Under Chen, Taiwan companies were restricted from investing in China and all travel has to be done indirectly, by a third destination. This meant instead being an hour and half flight by the direct route from Taipei to Shanghai, it took nine hours or more via Hong Kong or Macau.

Ma can be expected to act on the "three links" – direct travel, direct shipping of cargo and direct postal links. Chen made some minor gestures towards mainland China, but his support base was amongst the "deep greens" – those who want immediate independence from China.

Ma's victory was immediately hailed by Washington, as worries over the Taiwan Strait are the last thing it wants while tied down in Iraq and Afghanistan. Beijing has repeatedly refused to rule out force as a means to "reunify" Taiwan with mainland China. The Taiwan Strait flashpoint is a nightmare for Australia, which would inevitably be drawn into any conflict between Taiwan and China. The United States, under the Taiwan Relations Act, is legally required to supply Taiwan with arms to defend itself. Although no formal treaty exists requiring the U.S. to defend Taiwan, in practice it would come to Taiwan's aid if attacked by China, and two aircraft carrier battle groups put to sea at the time of the Taiwan presidential elections.

In all, Taiwan hopes to catch the China wave. Tourists from mainland China can be expected to arrive in greater numbers, which will boost the struggling tourism sector and make the hoteliers happy. Later, the "three links" will follow and investing in mainland China will be made easier. As for making Taiwan a "regional operations centre" for southern and central China, Taiwan may have missed the boat. Either way, the people of Taiwan are hoping for a more prosperous and settled future under President Ma. *JRB*

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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AN ID CARD AGAIN

Just when we thought we were safe for a while, the Labor Federal government has announced that it is considering developing a new smartcard fitted with a computer chip as a way of cracking down on welfare fraud. (*AFR* 13 March 2008). Those who had welcomed the Labor Party's victory in the recent Federal election, because of the Party's commitment to scrap implementation of the Howard government's proposed national Access Card, (rightly characterised by Labor before the election as an ID card by another name), felt the chill wind of imminent betrayal. The government's carefully worded denials of perfidy did little to allay such fears. Simply ruling out the Access Card model as pursued by the previous government, as government spokesmen have stated, leaves ample room for the introduction of a potential new model card that will, with little if any future changes, perform essentially the same function.

That the Access Card itself went down to defeat was due to the efforts of a few individuals and organisations, in particular the Club's own Tim Warner and his "Access Card, No Way" organisation and website. Tim expended considerable time, money, anguish and effort to achieve success, in what, initially at least, appeared to be a hopeless struggle. Those who appreciate freedom owe him a debt of gratitude.

The seeming renewed threat of such or a similar card being introduced into Australia should come as no surprise. ID cards are beloved by governments and bureaucrats. Many people in truth have no problem with them, rightly pointing out that most

countries have them, including a number of countries with citizens seemingly as free as ourselves. Even that bastion of individual freedom, the U.K. has recently succumbed, and moves are currently afoot in the USA to achieve a similar result by federally mandated and co-ordinated state driving licences. Some people even like the idea of such a card, welcoming the ability thereby to readily prove to all and sundry who they are. Anyway they say, in the modern world, the technology is such that if government desires to know anything about an individual, the means exist otherwise for it easily to ascertain it. Why the fuss?

Essentially an ID card is an instrument of government supervision and control. As history demonstrates, in rare and extreme cases their existence and use can lead to disastrous consequences for the people of any state which possesses them. The real significance of an ID card, however, is, in a sense, symbolic; its existence defines the relationship between a people and their government. In a society without an ID card, the government thereof can be credibly seen, if otherwise justified, as "the government of the people". Where a government ID card is an essential of individual existence then the people as such are more properly seen as "the people of the government". Let those who want an ID card for themselves organize their own. Any attempt by Canberra to introduce such a mandatory device for all, by whatever name and for whatever excuse, should be rejected. *DBS*

RECESSION & TARIFFS

It is becoming increasingly evident that the USA has entered into an economic recession. There is at least a possibility that Australia will follow suit. Whilst experts will undoubtedly differ as to the cause or causes of such recession, it is likely that the man in the street is far more interested in how bad such recession might be, and what can be done to alleviate its severity and/or bring it to an end. Predictably, demands that the Australian government should respond to such threat by the imposition or maintenance of tariff protection, such as the recent calls from Toyota, the world's largest carmaker, to maintain the 10% tariff on motor vehicles, rather than reducing them as planned to 5% from 2010, which reduction allegedly threatens the viability of Toyota's Altona plant, are likely to become more strident.

While history rarely, if ever repeats itself in precisely the same manner, it is worthwhile to consider the effect of one of the most noteworthy tariff acts in history, the US Tariff Act of 1930, more widely known as the Smoot-Hawley

Tariff. (The term Smoot-Hawley refers to the Congressional sponsors of the Act, Senator Reed Smoot a Republican from Utah and Representative Willie Hawley, a Republican from Oregon.) Although not without its supporters even today, the Smoot-Hawley Tariff is widely and credibly regarded as a principal, if not the principal cause of the Great Depression being great. The Act itself became law on 17 June 1930 which was of course after the Wall Street Crash of October 1929 but the passage of the Act through Congress had commenced long before the Crash and is widely considered to have been a contributing factor thereto.

The Act purported to impose an effective tax rate of 60%, a fourfold increase of existing rates, affecting over 20,000 imported items. When first proposed it created world wide outrage. Retaliatory tariffs against US exports proliferated and 34 foreign countries lodged formal protests with the US State Department. A petition was presented to President Hoover by 1028 American economists, representing the cream of the

economics profession, requesting he veto the tariff, but to no avail. The tariff was described by historian Richard Hofstadter as "a virtual declaration of economic war on the rest of the world".

As protectionism took hold world trade plummeted. It is estimated that between 1929 and 1934 the total level of world trade decreased by two thirds, thereby greatly contributing to the spread and length of the Great Depression. However the extent of the damage to world trade and the perception that protectionism had been a major factor in causing it led to a significant change in American trade policy, away from protectionism towards trade liberalization. This probably first manifested itself in the 1934 US Reciprocal Trade Agreements Act. Since then despite various aberrations the USA and much of the world has pursued trade liberalization and has taken Smoot-Hawley as a salutary lesson in the drawbacks of protectionism, particularly in times of economic crisis. It would be a shame if the lesson learned at such cost was to be forgotten now. *DBS*

PLANE FOOLISH

Newspaper journalism, like most media journalism is an evolving field. Colour photography, graphics, font, layout and language have all contributed to the evolution. But not all change is for the better. Newspaper journalists are too often criticized for their lack of objectivity, their liberal use or misuse of facts, their lack of analysis, poor grammar or use of language and bias or prejudice. Frequently such criticisms reflect the reader's own points of view. However sometimes they hold a universal truth.

Early this year *The Age* ran an obituary from the New York Times for George Habash, identified as a Palestinian Politician. The article went on to outline his political achievements over the years, with a glowing assessment of his

contribution to the Palestinian cause from colleagues. Unfortunately Mr Habash's most notable achievement appears to be as the father of modern terrorism, adapting modern terrorist tactics as a weapon; hijacking planes in particular.

I do not object to the report of Mr Habash's death, nor of comments from his political colleagues: what I do object to is the overt sanction of terrorism as a political tool. The obituary did not criticize or comment on the use of terrorism. At best the article, more as an aside, recognizes that he somewhat 'softened' his tactics in the 1980's.

Would we accept such a glowing obituary on Pol Pot, on Hitler, on Saddam Hussein, on Idi Amin or on Mugabe? I expect a degree of critical assessment

from our journalists, not a one sided view. What about the other side of the terrorist equation: what of the lives lost or traumatized by his actions? How has the threat of hijack, of terrorism affected the everyday lives of innocent people? Did his mode of action actually advance his cause? What personal freedoms have been lost by all local and international air travellers in an effort to thwart these dangers? How simple airplane travel used to be when one could arrive at an airport just prior to take off, keep a tube of toothpaste, deodorant, hand cream or bottled water in one's hand luggage and one's biggest worry was air sickness or turbulence? *RB*

SPREADING THE PAIN

From its introduction in 2004, Victoria's 5 Star sustainability legislation only applied to new dwellings: as of early May this year, home renovations must also comply.

Encouraging a more energy efficient approach to construction is laudable, however the system's prescriptive approach has added to the cost of construction - installation of water tanks, solar hot water heating systems, additional consultant and certification fees and associated delays. While energy savings are being made, there is also a tendency to limited innovation - various systems and materials cannot be adequately tested and thus cannot be deemed to comply, and it has done little to improve the quality of design with many builders and building designers fiddling with window size and insulation levels to develop a 'one building fits all sites' approach rather than applying simple passive solar design principles to improve the quality of the built environment.

These days, building or extending one's home is a mine field

of red tape. Where once a simple set of plans and regular inspections by council, plumbing and electrical authorities ensured the quality of a building, today one requires many permits, authorisations and certifications prior to even digging up the first sod, including demolition permits, planning permits, permission to cut down trees, permission to build over easements, engineering certifications, energy rater certifications, building permits, contractor registration or owner builder registration and insurances.

Superficially, the above measures might be thought to improve the quality of building construction. In reality, the increased bureaucracy has led to the significant attrition of experienced contractors, increased costs and extended project time lines. We already have a housing affordability crisis affecting entry into the home ownership market. With the new legislation becoming effective in May, the financial pain will increase further across a wider sector of the residential market. *RB*

THE AGW EMPEROR HAS NO CLOTHES

Anthropogenic Global Warming (AGW) theory is dead but it may take time for the general public to realize it. You won't hear or read about it in the mainstream media but notwithstanding the so-called 'scientific consensus' (which never really existed and is antithetical to the scientific method), it has now been thoroughly refuted in the peer reviewed scientific literature. [see "A comparison of tropical temperature trends with model predictions," by David H. Douglass, John R. Christy, Benjamin D. Pearson and S. Fred Singer; *Int. J. Climatol.* (2007), Published online in Wiley InterScience (www.interscience.wiley.com) DOI: 10.1002/joc.1651]

Amongst other requirements, for a theory to be deemed scientific, it must be testable. The AGW theory is only one theory that that has been suggested to explain the increased global temperature of the 20th Century. There is a relatively weak correlation between the increased global temperature and the increased level of CO₂ in the atmosphere. (There is a far better correlation of global temperature with solar activity.) Amongst all the theories that have been posited to explain global warming, AGW generates a unique fingerprint that can be used to test it. Only the AGW theory predicts that the rate of increase of temperature in tropics at approximately 9 kilometres above the Earth's surface will be about 2.5 times the rate of increase of temperature at the surface. We have over 25 years of satellite measurements and these have been examined to try to find this fingerprint. However the rate of temperature increase was found to be only about three quarters that at the surface.

Thus the AGW theory has been tested and found wanting. The implications are highly significant. It implies that CO₂, instead of being a dangerous pollutant can again be recognized for what it really is - a trace gas in the atmosphere, necessary for all plant and animal life on the planet. It implies that all the predictions of temperature increases based on increased levels of CO₂ are useless. Indeed all predictions (e.g. sea level rise, frequency of storms, levels of precipitation) based on this refuted theory are useless.

An alternate theory of global temperature changes being mostly related to variations in solar activity is gaining ground. Some solar scientists are predicting a significant reduction in solar activity over the next few decades (similar to the level of solar activity during the little ice age (known as the Maunder Minimum). The next twelve months appears to be crucial to accurately predicting the level of solar activity during the next solar cycle (of approximately 11 years). Perhaps, instead of getting involved in carbon trading, the wise will invest in thermal underwear, ski lodges and Northern Queensland property. *MG*