

# Australian Adam Smith Club (Melbourne)

President: Timothy Warner, Editor: Mannie Gross, P.O. Box 950, Hawthorn, 3122

Civilization consists in teaching men to govern themselves by letting them do it.  
*Benjamin R. Tucker (Instead of a Book, 1893)*

## Dr Gary Johns

on

# Aboriginal Self-Determination: The Whiteman's Dream

**The Adam Smith Club will host a meeting on Wednesday the 5<sup>th</sup> of October 2011,  
at the Curry Club Cafe, 396 Bridge Road, Richmond.**

The Hon Dr Gary Johns is Associate Professor in Public Policy in the PPI. He served in the House of Representatives from 1987-1996 and was Special Minister of State and Assistant Minister for Industrial Relations from 1993-1996 and as an Associate Commissioner of the Commonwealth Productivity Commission 2002-2004. He was for 10 years, Senior Fellow Institute of Public Affairs, Australia, and a senior consultant with ACIL Tasman economic consultants from 2006-2009. He is a member of the editorial board of Agenda (ANU) and President of the Bennelong Society.

Gary Johns will outline the thesis of his book, Aboriginal Self-Determination: the Whiteman's Dream. Land rights, welfare and culture have locked aborigines out of the good life. Land has become a burden, welfare has become disabling, and bad behaviour is mistaken for culture. There is a way out. Aborigines must abide by the same rules as every other Australian -- seek out opportunities, study hard, and free themselves from a culture of bad behaviour. This is in contrast to the white man's dream of Aboriginal self-determination. This grand experiment has failed. Aborigines, especially those in remote Australia, need an exit strategy from the dream. The exit strategy outlined in this book destroys the rallying cry for culture. Instead, it shows that the way to self-determination is through individual dignity.

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 Tuesday the 4<sup>th</sup> of October 2011. 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 Hon. Secretary, mob. 0403 933 786  
or email: [asmith@adamsmithclub.org](mailto:asmith@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 5<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

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 [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. Bookings made after Monday 3<sup>rd</sup> of October will not be accepted online. FEES - a \$2 card fee will apply for the transaction.

## CARBON TAX TO CAUSE HOWLS OF ANGUISH

If Labor's carbon tax doesn't strangle business to death, then it's almost certain the private sector will choke on bureaucratic red tape. How intelligent people could honestly contend that this economic nightmare will actually boost growth must be due to the 'progressive' capacity for mass self-delusion rather than any other factor.

Just how will this work? From 1 July 2012, around 500 of Australia's top carbon 'polluters' – itself a term that reeks of propaganda – will need to buy and surrender to the government a permit for every tonne of carbon pollution they produce. For the first three years, the price of carbon will be fixed like a tax, before moving to an emissions trading scheme in 2015.

In the fixed price period, as many carbon permits as businesses require to meet their obligations will be available at a fixed price. This will act like a carbon tax on about the top 500 polluters.

In the fixed price stage, starting 1 July 2012, the carbon price will be \$23 a tonne, rising by 2.5 percent a year in real terms. From 1 July 2015, the carbon price will be set by the market.

In the flexible price period, the number of permits issued by the government each year will be limited by a cap on annual carbon pollution. The price will be determined by the market. Businesses must compete to buy the number of permits they need to meet their obligations. Businesses that value these carbon permits most

highly, because the cost of reducing their pollution is higher, will be willing to pay the most for them. For some businesses, it will be cheaper to reduce emissions than buy carbon permits.

From the start of the flexible price period, large polluters will have access to international carbon markets to buy permits which represent credible reductions in carbon pollution internationally. Just where are these 'credible' reductions coming from? No one seems to know yet, but the betting is it will be somewhere tropical.

In both the fixed and flexible period, large polluters will have to pay a price for every tonne of carbon pollution they release. These businesses will choose to reduce their emissions if they can do so at a cost that is less than the carbon price. The theory – or hope – is that the market will determine the most cost effective ways of reducing carbon pollution.

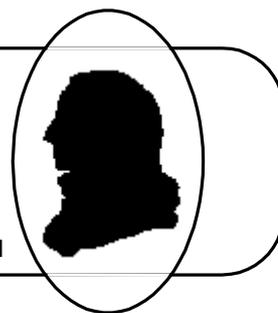
A whole weird and wonderful bureaucratic structure is being developed, from permits for 'gassy' mines to assistance for low income households through tax breaks and direct welfare assistance. Trading in carbon permits is sure to produce an entire industry by itself, vastly enriching the only people capable of managing it, namely the investment banks, and they will be very reluctant to give up this highly lucrative new business if – or when – the Coalition tries to untangle this mess. *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. Please note that the function will be held upstairs in a newly renovated section of the restaurant.

# Laissez Faire

Newsletter of the Australian Adam Smith Club (Melbourne), No 100, September 2011



## TODAY'S WORLD

The world's economic circumstances in August have been particularly tumultuous, even by the standards of recent times; stock markets have fallen precipitously, punctuated by occasional steep recoveries, the price of gold has risen from approximately US\$1,500 per ounce to over US\$1,900 and then dropped precipitously, the financial probity of major economies such as Italy, France and the UK have been publicly called into question, and the credit rating of the world's largest economy, the USA, has been downgraded by Standard & Poors, the international credit rating agency.

Media coverage of these events has been extensive. The viewpoints of the numerous reporters, commentators and experts who have provided their reports and articles, often, and at length, run the full gamut, from "nothing to worry about" to the "likely end of the world as we know it". The preponderant message, particularly from what can be referred to as the mainstream media, is reassuring; the world is continuing to recover from the GFC, we are not going to experience a so-called "double dip recession", and the governments of the world, by and large, are doing a good job in controlling the economic ships of state in admittedly turbulent times. Nevertheless the extreme diversity of views can only give pause to those seeking the most likely correct appraisal of current circumstances, or are mindful of the biblical admonition; 'know the truth, and the truth shall make you free'.

At the risk then of creating more confusion and uncertainty than might otherwise have existed, the following attempt has been made to provide some clear and simple individual answers to the questions raised above. Whilst they do not suggest that the world is coming to an end, the scenario created is far from reassuring.

### Where is the World Economically?

Presently the world is in the midst of a major depression, which historians will probably date as having commenced in 2007. Whilst not all countries are suffering to the same extent, with some even remaining relatively prosperous, all are feeling the effects, directly or indirectly, of the global malaise.

Generally the word "depression" is frowned upon in official circles. For one thing, merely expressing the word is depressing for everyone. For another, implicit in the word itself is a criticism of the world's economic managers. For decades now we have been assured that we know how to avoid depressions, and that wise and effective government will ensure that never again will we experience such a thing. Yet present circumstances are such that the only appropriate comparable event is the Great Depression of the 1930s. Whether the present event will match or even exceed the severity of that of the 1930s remains to be seen, but in many respects the present circumstances are uncomfortably reminiscent of the years 1929-1933.

### What justification exists for such view?

- **Unemployment.** Particularly throughout the developed world, the rate of unemployment has reached alarming levels, and shows every sign of continuing to rise. Whilst official figures suggest that present levels are still far below those of the Great Depression, numerous studies in various countries suggest that these present figures do not provide adequate or proper measures of comparison. For example, in the USA, the latest official national rate was 9.1%, but, according to Gallup, as of January 2011, the real rate was 19.2%. This is almost as bad as 1941. Many states were much worse. California's official rate was 12.6% but estimated by the Milken Institute, a Californian think tank, to be 20% and rising. In Australia, the official rate reported in April 2009 was 5.7% but the then real rate was estimated by the Australia Institute to be 11.7%. Typically, official rates exclude those not actively looking for work, omitting those who want to work but have given up looking or have gone back to school, those on disability or other pensions, and those forced to work part time, or to attempt self-employment.

- **Declining World Trade.** Global trade collapsed in 2009 by 17%, (much as it did during the Great Depression). It recovered significantly, but not completely, in 2010. This was a time of massive worldwide economic stimulus by governments. As stimuli have tailed off in 2011, levels of world trade have again begun to slide.

- **Decreasing Growth in GDP.** All around the world countries are reporting decreases in the rate of growth in their annual GDP. This means less wealth is being produced. When one takes into account the growth in population that is occurring, in many countries this means less wealth available per head of population; people are becoming poorer.

- **Monetary Instability.** Sound money is generally regarded as a sine qua non for economic prosperity. The Great Depression was a time of great monetary instability, bringing an end to the gold exchange standard, which had replaced the gold standard destroyed by WW1, and which in turn was replaced by the dollar gold standard at the end of WW2. Today the countries of the world are awash with debt, both public and private, typically amounting to 2 or more times

the national annual GDP, putting their respective banking systems at risk. Many countries are considered poor sovereign credit risks and their currencies of dubious value. The likelihood of the Euro surviving is doubtful.

Australia, as a major commodity and primary produce exporter to developing countries, particularly China and India, is one of the fortunate countries that has been able to shield itself from the worst effects of the current depression. Yet the large numbers of empty shops, the declining patronage of bars and restaurants, and the increasing travails of business are apparent to all who care to look, giving rise to the description of a 2 speed economy. Housing prices relative to annual returns are extremely high, and in the last decade, Australian rate of productivity growth, i.e. the increase in the ratio of output to input has been abysmal, and is possibly now negative.

#### How and Why?

Many factors have brought us to where we are today. One factor is considered, at least by leading conservative economists, to stand head and shoulders above the rest; the absence of real or commodity based money. Most people in the developed world are notoriously ignorant of the nature of money and the significance of the role that it plays. Without money trade could take place at only a minute fraction of its present level and there could be no division of labour. In short, civilization as we know it would effectively cease to exist. Since the 1970s the currencies of the world have comprised only fiat or faith based money. Unlike real or commodity money, which inherently provides its own measure of value from the commodity from which it is made, or on which it is based, fiat or faith based money has effectively no inherent value. It is simply a promise to the person accepting or receiving it that it is and shall remain at or about the value at which it has been accepted or received. Over millennia, fiat monetary systems have been tried on many occasions. History teaches that, without exception, they failed.

The problem with fiat currency is manifest. If its value is to remain stable the volume of such money must remain, at least roughly, equivalent to the value of goods and services produced and available to be purchased. Since it costs virtually nothing to produce, the temptation always exists for the issuing authority to create and spend more and more, thereby diminishing the value of each individual unit. In theory this should be able to be continued ad infinitum. However, in practice, as the growth in the volume of currency issued and the speed of the loss of value increases people lose all faith in it and reject it entirely, thereby causing the collapse of the currency. There is a growing awareness worldwide that this might be starting to happen. If we were to look for persons to blame for the world's present trouble two names spring immediately to mind, Richard Nixon and Alan Greenspan. In 1944 at Bretton Woods America had pledged to safeguard the world's financial system by maintaining its dollar to be backed by gold and internationally redeemable at US\$35 an ounce. By August 1971 it was clear that America had been overspending. President Nixon had the choice of cutting back American spending or renegeing on the promise. He had an election coming up. He chose to repudiate and go on spending, bringing the Bretton Woods gold dollar standard to an end, and initiating world-wide fiat currency. By 2000 America's living beyond its means had progressed to the stage where a crisis similar but less extreme than that of 2007 threatened. Rather than taking away the punchbowl and bringing the party to an end, as his predecessor Paul Volcker is said to have once done, Federal Reserve Board Chairman Greenspan juiced it up by drastically slashing interest rates and increasing the money supply, thereby extending the party to 2007.

#### Whither?

- America and the rest of the world continue as before, with reduced interest rates and more fiat money creation, probably leading to worldwide economic stagnation, (much as Japan has endured for the last 2 decades), and possibly, as with the Great Depression, a major war;

- A new supranational fiat currency overseen by an international body such as the IMF or UN. But for this the USA would have to give up its privileged position, such as possession of the world's reserve currency and veto power over IMF decisions;

- One or more countries introduce a new commodity currency. Not very likely;

- Australia prays that China and the developing world not lose their appetite or ability to pay for our minerals and primary produce. *DBS*

## MAY MEETING

The May Meeting of the Club sampled a new venue for our address by former central banker and now economic commentator Dr Peter Jonson. The speech was a stimulus for a very lively question time, in which conservatives and laissez fairests took issue with Dr Jonson's proposals to stabilise the world economy. The proposition that a basket of

goods should supersede both the fiat system and the traditional Gold Standard had the blood flowing.

It is with some regret that the Hawthorn Club - which provided a fine feed in good surrounds - has now decided to discontinue the use of the space we used. The search for low price and high standards will continue! *TW*