

Australian Adam Smith Club (Melbourne)

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

Mis
erable is the condition of individuals, dangerous is the condition of the state, if there is no certain law, or, which is the same thing, no certain administration of law, to protect individuals or to guard the state. **Lord Mansfield (1784)**

Christopher Lingle on China's Coming Collapse

**The Adam Smith Club will host a dinner meeting on Monday the 3rd of April 2000,
at the CENTRA Hotel, corner St Kilda Road and Park Street, South Melbourne.**

Professor Lingle is an economist who has been a university lecturer since earning his doctorate from the University of Georgia in 1977. He has lived and taught in ten different countries in Africa, Asia and Europe. His work has appeared widely as chapters in books, in the international press (in Australia, notably in the Australian Financial Review), and in numerous scholarly journals. He is the author of *Singapore's Authoritarian Capitalism: Asian Values, Free Market Illusions, and Political Dependency* and *The Rise and Decline of the 'Asian Century': False Starts on the Road to the 'Global Millennium'*. Professor Lingle was one of the very few to accurately predict the recent "Asian economic meltdown".

Professor Lingle will once again address the Adam Smith Club, talking on the subject of China's coming collapse. Many are fascinated, even mesmerised, by China as a 'market' of a billion people. Others take a far more sceptical view of a country with no rule of law or secure property rights. Professor Lingle, who has been recently residing in Hong Kong, will provide his own informed perspective on China's prospects.

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 31st of March 2000. 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, inclusive of wine and pre-dinner drinks.

**Enquiries to Ms Regina Bron, tel 9859 8277 (AH)
or Dr Tom Jellinek, tel 9706 7400 (BH)**

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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 April 3rd dinner 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 can be found on the World Wide Web at <http://www.newaus.com.au/asmith.html>. We are grateful to Gerard Jackson who produces the *New Australian* - Australia's only free market online magazine - for hosting our newsletter. The *New Australian* is recommended to anyone interested in obtaining a 'free market' view of the economic events and in exposing mainstream journalist hypocrisy and mendacity. A new issue appears approximately every week and there is a truly amazing amount of free market material collected there. There are also links to other interesting Web sites both in Australia and overseas.

BLAIR'S BRITAIN: SOME FIRST IMPRESSIONS

Britain is a very different place from the one I left in January 1974. Then, the coal miners were on strike, and the Conservative government of Edward Heath had retaliated by allowing industry to operate for only three days a week so as to conserve coal stocks. It took another decade, another Conservative government and another prime minister to defeat militant trade unionism in Britain, since then Britain's low post-war economic fortunes have gradually recovered.

Today, Britain has one of the best-performing economies in Europe. Strikes are all but unknown; growth is around 3% a year; inflation is tamed; unemployment is falling steadily towards 5%; foreign direct investment is booming; and the standard rate of income tax is to fall. The 'New Labour' government of Tony Blair is pushing privatisation into new areas like the post office and industrial injury compensation, and is using sticks and carrots to get the unemployed to fill the expanding number of job vacancies. Economic issues are virtually absent from the media.

It's been said that New Labour is Margaret Thatcher's greatest achievement. Without doubt, the Thatcher government made it possible for Labour to succeed in office, by removing the privileges of the trade unions and privatising the state-owned industries that had undone previous Labour governments. Yet Labour has accepted the substantial increase in economic freedom over the last 20 years only for the most pragmatic of reasons: it had to, to get elected. The watershed was Labour's defeat at the 1992 election after it had promised to increase taxes. New Labour was born out of the realization that the middle classes would never vote for redistribution, so welfare transfers would have to be financed out of economic growth. It has been spectacularly successful: the middle classes, reassured that their tax rates wouldn't rise, acted on their contempt for the Conservatives and moved massively behind Labour at the 1997 election.

But why are devotees of individual freedom uneasy about New Labour? Surely we shouldn't expect politicians to act on any motive other than electoral advantage? And isn't middle-class tax resistance the best guarantor of economic freedom in a democracy? The trouble is, in its general style and in non-economic areas, New Labour seems to be positively hostile to freedom. Blair's notoriously authoritarian, ruthless, media-massaged control of the Labour Party betrays the tensions between the party's natural inclinations to soak the rich and its hunger for office. An offence of 'indirect racism' is to be created to tackle allegedly rampant 'institutional racism'. The government is

trying to impose new limits on the right to trial by jury. It has considered preemptively locking up people of a certain psychological type before they can do any harm. It has thrown the hereditary peers out of the House of Lords, but is opposed to replacing them with elected members; instead, it wants the maximum scope for creating life peers — which Blair has done on a grand scale to reward his supporters, including donors to the Labour Party. Above all, New Labour is keen on strengthening Britain's membership of the European Union—the most *dirigiste* of the world's economic blocs. It's true that Blair urges European governments to emulate Britain's flexible labour markets. Yet Blair has himself signed up to European regulations that reduce that flexibility. He is also incorporating European human rights documents into British law.

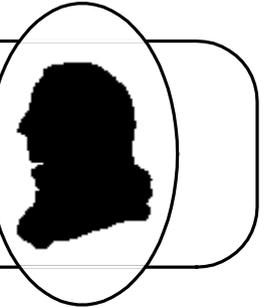
This quiet cultural revolution is being orchestrated in the name of 'modernization'. In practice, this amounts to replacing formal accountability and the rule of law with reliance on enlightened people (i.e. people like Blair) operating through unaccountable national and international forums. Instead of accountability, the Blair government offers virtue. It projects an intense conviction of its own righteousness. It seems to say, 'We are good people. Therefore, everything we do must be good'. In its own eyes, this not only sanctions its self-aggrandizement but absolves it from any obligation to be consistent or to defend its actions by reference to any fixed criteria. Hence, it can both export arms and proclaim an 'ethical' foreign policy; both bomb Belgrade to stop ethnic cleansing in Kosovo and not bomb Moscow to stop barbarism in Chechnya; both harass General Pinochet for alleged human-rights violations and host a state visit by the leader of Communist China.

It is this devotion to the higher arbitrariness that worries supporters of freedom. The Labour Party has had socialism battered out of it by eighteen years of opposition and three successive electoral defeats. A market economy does protect a vital core of individual freedoms. But the Blair Government will diminish freedom wherever it judges it can do so to its advantage; and the rise of political correctness has greatly expanded its scope for doing that and its inclination to do so. Who is to say that such a government, or its successors, will not once again set Britain on the road to serfdom, not this time by central planning, but as de Tocqueville originally envisaged it—through the steady accumulation of little regulations designed to do good?

Michael James

Laissez Faire

Newsletter of the Australian Adam Smith Club (Melbourne), No 50, March 2000



THE COMMITTEE & PRESIDENT: A DEFENCE

The committee of the Adam Smith Club and its president have recently come under attack. Initially this was in an anonymous piece in Gerry Jackson's "The New Australian" [21/2]. The thrust of the attack was that Michael Warby's appointment by the committee as president of the Club was somehow a result of the actions of Ray Evans of the H. R. Nicholls Society, towards whom the main criticism of the article was directed.

As any member of the committee who was involved in the process of finding a replacement for the Club's immediate past president Michael James well knows, this allegation is simply nonsense. However when this was pointed out in a letter by James to "The New Australian" [28/2] the allegation in response, again from the same anonymous author, became rather one of misconduct on the part of the committee in failing to call for nominations for the position or to hold an election amongst the members. It was suggested that such action by the committee was improper and that as a result it should resign.

In order to appreciate why this second allegation is also baseless it is necessary to know something of the history of the Club and to understand generally its institutional nature. The Club began in early 1983 following a meeting organized by myself. Many of those attending were members of the Libertarian Club which had been hosted and organized by David Miller for a number of years previously. At the initial meeting a number of resolutions were put and voted upon. As a result the Club was formed, named, a committee chosen and I was confirmed as President. Thereafter although the Club endeavoured to balance its books by charging for dinners, selling books and other articles and receiving members subscriptions it was not always successful. From time to time it was necessary to cover various shortfalls in funding. This was done by myself or other members of the committee simply picking up the tab. Following the first meeting no further elections were held although periodically invitations were extended generally or specifically to those who were interested to join the committee. As a result over the years members of the committee have come and gone. In 1998, when I resigned as President before going overseas for an extended period, Michael James was invited by the committee to become President. The choice was very much a pragmatic one, based on Michael's prior history of involvement with similar organizations, his general organizational abilities and his willingness to do the job. A similar approach was taken in turn with Michael Warby's appointment.

In so acting the committee could not be said to have been acting unconstitutionally. The Club has never possessed a written constitution. Like the U. K. its constitution in so far as it possesses one, is unwritten and based on its history.

Generally speaking, clubs are one of two types; proprietary or members. A proprietary club has many of the attributes of a private business. Ultimately the club, its organization and its running are in the control of the proprietors, who are the ones responsible for its financial obligations; in this case various members of the committee. In essence a members club is owned and operated by the members themselves acting through their constitution, most typically with annual general meetings and elected officers. The Adam Smith Club is and has always been a proprietary club. To criticise the committee as though it were a members club they were administering is to miss the point. To suggest that the Club should be a members club is one thing; to say that it is is another. *DBS*

A GOOD DROP?

Early this month, two similar substitution scams were uncovered. The first was the toluene substitution in petrol, whereby toluene, which attracts no excise tax, was mixed with petrol, which attracts an excise tax, to defraud both the government and the consumer. We consumers were hit twice. The contaminated fuel is less efficient than straight petrol - more toluene meant less 'kilometrage' and the need to fill up more often. The contaminated fuel can also cause damage to engines, is carcinogenic and is a greater air pollutant than petrol.

At this stage space precludes me from discussing in detail the fact that the Federal Government was alerted to this racket some 18 months before and did not appear to act; that we have the mechanisms to deal with fraud; that consumers have the right to expect an unadulterated and safe product; or that a few spot checks, convictions and hefty fines or imprisonments would have sent clear messages. Instead, let us focus on the taxation accountant's solution.

One wise soul suggested in The Age Letters to the Editor - that it would be sensible to drop the excise on petrol, thus reducing the opportunity for profit in substitution. The Federal Government, however, did not see this simple, yet effective logic. Instead it chose to reduce the profit opportunity by adding an excise to the toluene, despite the difficulties this will present to legitimate toluene users in the paint and plastics industries, despite the added compliance costs and paperwork.

The second scam was the St Henri wine substitution racket. A carrier, whose suspicions were aroused by the weight of a dozen bottles, discovered the fraud. The fakes were a significantly cheaper Penfolds wine, using a thinner glass bottle and a pretty good fake label. If we applied the government's logic to this substitution - in order to remove the opportunity for profit - all wine should be priced at the level of St Henri Claret!

Why do we all laugh at this solution, but barely a murmur is heard on the petrol front? *RB*

THE POWER OF A WELL INFORMED MARKET

The last five years have been intriguing for those watching the Internet and the World Wide Web. The mentality of the large corporations at first ignored the web, then embraced the web - but without much idea as to what it should do. Finally we see some signs of comprehension as to the real potentials.

The first period was marked by the success of cyber squatters, people who registered corporate names before large corporations (for instance the UGE Corporation) realised the value of www.UGE.com.

The second period was the setting up of sites that were electronic pamphlets, telling you

about the company and its products, perhaps with the capacity to sell some items directly.

The next step has been proceeded by wide availability of Internet access, standards for displaying data, and the now negligible cost of accessing information offering incredible potential for the continuous clearing of markets.

The third wave has been opened by companies such as GM and Ford, creating a tender through to delivery system, open to all participants in the manufacture, assembly and distribution of the vehicles. Every company can know the demand and supply above and

below them in the supply chain, a market open to internal competition where information, cost and time have been reduced to insignificance.

This is continuous competitive tendering based on availability, location and price. In addition there is continuous feedback to engineers and managers of production difficulties and improvements. This is as perfect a market as one could imagine on a global scale, and it has the capacity to revolutionise the manufacturing process on a scale comparable with the way email and web sites have altered the dissemination of ideas. All by unleashing the power of free exchange. *TW*