

# Australian Adam Smith Club (Melbourne)

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

In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so.  
*Adam Smith. The Wealth of Nations (1776)*

## Dr Jennifer Marohasy

on

### Global Warming, Cooling, Water and Forests

**The Adam Smith Club will host a dinner meeting on Wednesday the 1<sup>st</sup> of February 2006, at the Curry Club, 396 Bridge Road, Richmond.**

Adam Smith said, "Virtue is more to be feared than vice, because its excesses are not subject to the regulation of conscience." Concerned that public policy on environmental issues is increasingly driven by moral crusading, rather than objective science or need, Dr Jennifer Marohasy works to provide an important counterpoint in public debate and discussion. She is Director of the Environment Unit at the Institute of Public Affairs and will address the Club on the issue of global warming with particular reference to water and forests. Her weblog and article postings can be found at [www.jennifermarohasy.com](http://www.jennifermarohasy.com).

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 30<sup>th</sup> of January 2006. 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).

**Enquiries to Timothy Warner, mob. 0408 321 948  
or email [asmith@economic-justice.org](mailto: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 and .....place(s) at \$40.00 per non-member for the February 1<sup>st</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.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.'

## S.O.S - SAVE OUR SELVES DEBATE REVISITED

A year has now passed since the Australia-US Free Trade Agreement (FTA) came into effect on 1 January 2005. Various lobby and interest groups took the opportunity of the anniversary to comment on its progress and the concept generally.

The Welfare Lobby, not the least significant of interested parties, criticised what it perceived as the adverse effect of the FTA on Australia's Pharmaceutical Benefits Scheme. Manufacturers complained that the FTA was hastening the demise of Australian industry and pointed to the recently announced closure of the Kraft factory in Melbourne and to the recurring rumours that the beleaguered Ford Motor Company will shortly close its Geelong plant, as direct consequences of the FTA.

Environmentalists also continued to criticise the FTA, which constrains the Australian government's ability to restrict trade or investment on the basis of protecting the environment. If such were to occur the US government under FTA can take the Australian government to a special tribunal that can rule that such restriction be removed or compensation paid. To that extent, the US trader or investor in Australia has greater rights in Australia than an Australian.

Hopes of the agricultural sector that further concessions might be wrung from the Americans above the risible ones granted under FTA have failed to materialise; sugar is still excluded, beef exports are still subject to quota and will be till 2022, whilst dairy products remain with only minimal increases in entry rights.

One group that should be seriously attacking the FTA is the Free Traders. Despite the name, so-called Free Trade Agreements do not implement free trade. Rather they constitute a sophisticated form of protectionism. As Professor Joseph Stiglitz of the University of Chicago, a Nobel Prize winning economist states; "The bottom line is that there is no US commitment to free trade. It is really a commitment to getting other countries to give access to American producers to their markets and the US reciprocates when it is convenient".

Much of the confusion, whether deliberately created or not, stems from the failure to understand precisely what

free trade is. Free trade is an aspect of freedom. It arises from the right of an individual to engage in honest trade with whomsoever he wishes in terms mutually agreed between them. For governments to interfere in that right is to that extent a denial of freedom.

Much of the debate over the FTA has been concerned with differences between the so-called multilateralists and the so-called bilateralists. The multilateralists are generally supporters of the WTO and endorse the concept of a single, all-embracing trade regulating agreement to which the governments of all countries can subscribe. Bilateralists on the other hand support the concept of trade deals between the governments of 2 (or more) countries to the exclusion of all others. Both groups generally purport to favour promotion of international trade and the reduction of trade barriers. In this regard they can be contrasted with the economic nationalists who of course favour the creation of barriers to international trade to insulate the nation state from its effects. Such debates have the effect of excluding true free traders from the discussion.

Free trade is neither multilateralist or bilateralist. It is unilateralist. It simply requires an acknowledgment from the government that it has no right to or business interfering with the honest trading of its individual citizens and its repeal of any measures that purport to do so.

Free Traders should oppose both the multilateral and the bilateral approach for a number of reasons. To support either approach is to compromise freedom itself and to endorse however reluctantly the idea that it is somehow legitimate to deny such freedom. Such endorsement by free traders will merely add to the confusion already existing as to just what is free trade. The failings of such approach will thereupon be blamed upon free trade.

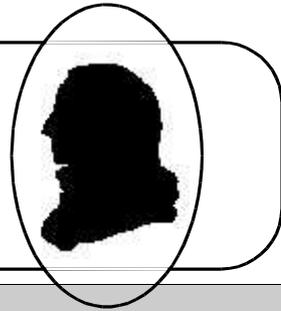
If free traders have the energy and the inclination they should campaign now for the abolition of all government interference in honest trade. Freedom is after all a cause worth supporting. And if they feel that such is too much to ask and wish to take a gradualist approach let them at least begin by campaigning for the abolition of all tariffs now.  
*DBS*

### VENUE ARRANGEMENTS

*For the Curry Club, 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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## CHARADES

In recognition of the failure of the Kyoto Protocol's to achieve its ostensible aims of reducing anthropogenic greenhouse gas (GHG) emissions and possibly to hammer another nail in its coffin, the "Asia-Pacific Partnership for Clean Development and Climate" was announced on July 28, 2005 and held its inaugural meeting in Sydney on January 11 and 12, 2006. The six member nations of the "Partnership" are Australia, India, Japan, the People's Republic of China, South Korea, and the United States. These countries are considered to be the largest, either presently or in the future, emitters of Carbon Dioxide (considered to be the most significant GHG, in terms of its effect on climate).

As an interesting aside, Australia can only be considered a significant emitter of CO<sub>2</sub> if per capita emission calculations are made. As far as its effect on the Earth's climate is concerned, per capita emissions are irrelevant, and only total emissions count. This is a clever misrepresentation on the part of those attempting to put moral pressure on Australia to sign onto the Kyoto Protocol.

The announced aim of the "Partnership" is to cooperate on development and transfer of technology which enables reduction of GHG emissions. For this reason the Commonwealth Industry Minister Ian Macfarlane was quoted as saying prior to the inaugural meeting, "The reality is new technology will deliver three times the savings in greenhouse gas as the Kyoto Protocol will." However this begs the whole question of how much effect on the Earth's climate does anthropogenic GHG emissions have.

The greensies and their political supporters claim that there is a scientific consensus that manmade GHG emissions are causing a future climate catastrophe (increased warming from 2.6C to 8C by the end of the century, catastrophic sea level rises, increasingly severe wind storms, etc). Of course there is no such scientific consensus, especially among climate scientists. In any case, anyone vaguely familiar with the scientific method will understand that scientific truth is not determined by a consensus. The purported future warming of the planet (mainly due to increased emissions of CO<sub>2</sub>) is based on computer models and the old adage of "garbage in, garbage out" applies just as aptly to these computer models (known as GCMs) as to any other computer program. Therefore as a prerequisite for giving these models the slightest credence, one must be satisfied that the modelers have identified ALL the physical processes involved in the making of the Earth's climate. To illustrate that this is

not the case, just a few days ago an article was published in the journal *Nature* (see <http://news.bbc.co.uk/1/hi/sci/tech/4604332.stm> and [http://www.eurekalert.org/pub\\_releases/2006-01/m-tfm011006.php](http://www.eurekalert.org/pub_releases/2006-01/m-tfm011006.php)), that reported something completely new about trees, namely that they are significant emitters of the GHG methane. As this phenomenon was previously unknown, it could not have been included in any climate model. Any model that did not account for this phenomenon (and that means all of them) is thus rendered useless! If this were not enough, it is also known that these climate models cannot reproduce the behaviour of clouds, a far more important factor than CO<sub>2</sub> in determining the Earth's climate.

Possibly for these reasons and the large differences in output from the different models, the IPCC (Intergovernmental Panel on Climate Change) described the output of these models as "story lines" rather than predictions. It would have been more accurate to describe them as "fairy tales."

The simple conclusion is that no one knows how much effect, if any, anthropogenic GHG emissions are having on the Earth's climate, both present and future. The Kyoto Protocol is thus a farce in that it is seeking to limit the amount of GHG emissions when it cannot be known what effect this will have on climate. However it is known that the cost of complying with the Protocol will have serious deleterious effects on the economic well being of the complying countries' population. (No doubt this is the reason why no western European country looks like meeting its targets for GHG emission reductions under the Protocol.)

The question arises, why has no country had the honesty to state outright that there is no scientific justification for limiting anthropogenic GHG emissions in order to limit the increase in the Earth's temperature? Apparently even the U.S. fears being branded a pariah for stating the truth.

What point then is the "Asia-Pacific Partnership for Clean Development and Climate" if its stated aim is to reduce GHG emissions (even if no caps on emissions will be set)? For the developed nations, there is the possibility of selling technology to the developing nations. There is also the political charade of showing the world that you are doing something to better the planet, when in fact you are doing nothing of the kind. But at least the economic cost is very small and there may be an economic gain in the future. *MG*

# WATER, WATER EVERYWHERE

2006 began predictably enough with *The Age* Business Section (Jan. 5) running a message-piece on water conservation.

It is easy to get overly cynical about continually pushed messages, particularly when they are largely based on nonsense. Periodically reading such pieces therefore becomes somewhat of an obligation, if only to check whether they contain anything of substance. Needless to say, on this occasion, one need not have bothered.

At the beginning of the article the writer refers to water as a “rare, essential commodity”. Whilst one can certainly agree with the “essential”, given that roughly two-thirds of the planet is covered with water, it beggars belief to describe it as “rare”. An article based on such a premise is not to be taken seriously.

It is obvious (or should be) to anyone who thinks about it that having the amount of water one wants is only a question of price and that there is a myriad of ways actually to supply whatever amount of water we want. If common sense is not enough to arrive at such conclusion then a quick check of the readily available facts and figures should enable one to do so. These show that presently there is ample water to satisfy all of the world’s requirements. This is so even in Australia, which is the driest of the inhabited continents

Not only does Australia, amongst the inhabited continents, have the lowest average annual rainfall, it also suffers from the most variable rainfall coupled with high evaporation. Discharge from its river systems is also the lowest. Nevertheless, leaving aside for the moment some of the

more extreme schemes, such as large scale desalination, the towing and melting of icebergs, damming and piping of the northern rivers or even large scale recycling, Australia presently contains ample supplies of freshwater, including ground water and surface water, to supply the needs of its present and likely future population. In this regard, Australia is fortunate that, unlike other continents, such water as it does contain is largely unpolluted.

If indeed Australia does contain, as it does, ample supplies of freshwater then why are we being subjected to ongoing water restrictions backed up with the usual potential penal consequences, deluged with misinformation about water resources, exhorted to exercise moral restraint in using water, constrained in our choice of baths, showers and toilets and threatened with mandatory requirements to install costly and inefficient rainwater tanks in our homes?

The article hints at the answer, noting that the cost of water to the consumer has been consistently under priced. As any student of economics knows, if the price of a product or commodity is too low more will be demanded than suppliers are able or willing to supply. The consequence will be shortages. But that is only a manifestation of the problem. The question is why is water in Australia consistently under priced? The answer to that question is that water in Australia has been and is politicised.

The article states; “While most state governments have moved as quickly as they can to raise water prices, any serious bid to increase

them to a realistic level would jeopardise their electoral fortunes.” While the statement contains a kernel of truth, sceptics would be quick to disagree with its implication that government or governments are not really to blame. They might point out for instance that given the actual ample water reserves available most governments have done far from enough to fulfil the task they have ostensibly undertaken; to provide freshwater to consumers as and where they require it. Most governments after all given a choice would be reluctant to spend much money or effort on something as mundane and bereft of political profit as maintaining or expanding the water supply.

A consequence of the politicisation of water is to create with respect thereto a system otherwise akin to that prevailing generally in the former Soviet Union. As a result we can expect similar consequences, in relation to water, to that which prevailed there generally; shortages, criminal sanctions, victimisation, waste, misery and injustice.

As any student of history knows the ultimate fate of the Soviet Union was collapse. Whilst total collapse may not be the result, water supply in Australia is likely to come under similar pressures. Whilst the article’s suggestion of real pricing is indeed the probable solution, this is beyond any politicised system’s capability to provide. The real price is the market price but that requires private ownership and free competition. Ultimately the solution to the water problem in Australia is de-politicisation.

*DBS*