



Australian Adam Smith Club (Melbourne)

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

Of all debts, men are least willing to pay taxes. What a satire is this on government!
R. W. Emerson: Politics (1841)

Senator Mitch Fifield

on

Fiscal contraception: Erecting barriers to impulsive spending

**The Adam Smith Club will host a dinner meeting on Tuesday the 7th of October 2008,
at the Malvern Vale Club Hotel, 1321 Malvern Rd, Malvern 3144.**

Unfortunately the mechanics of government are stacked against advocates of fiscal and regulatory restraint. The temptation to turn to government and taxpayer funded programs is greater than ever. Too often, governments condition Australians to look to the state for answers. Legislators need to place more faith in individuals and free markets so that through greater fiscal discipline and further tax reform the expenditure beast can be better tamed.

Mitch Fifield entered the Senate in 2004 and was returned at the 2007 election. Prior to entering the Senate, he was the Senior Political Adviser ('96-'03) to the Treasurer, the Hon. Peter Costello, MP. Mitch is Deputy Chair of the Senate Finance and Public Administration Committee. He is also a member of the Coalition Waste Watch Committee and with Andrew Robb, Mitch publishes the policy journal – 'The Party Room'.

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 3rd of October 2008. 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 Ms Regina Bron, tel. 9859 8277 (AH) or mob. 0412 006 786 (BH)
or email twarner@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 andplace(s) at \$45.00 per non-member for the October 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.adamsmithclub.org/laissez.htm>. And the clubs NEW address is <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 twanner@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 Friday 3rd of October will not be accepted online. FEES - a \$2 card fee will apply for the transaction.

NATIONAL CURRICULUM NOT WANTED

Last week brought news that the present national government was making some changes to the existing John Howard-devised national education curriculum. In particular, Professors Stuart Macintyre and Peter Freebody were to be appointed to the new National Curriculum Board where they are expected to play a part in Labor's threatened education revolution, intended to effect the nationwide teaching of History, Mathematics, English and Science. Under the headline "Rudd must not allow curriculum highjacking", an editorial in *The Australian* of September 10 referred critically to Professor Macintyre as a left-wing historian, and to Professor Freebody as holding to the view that literacy was a sociological tool. It described their appointments as unfortunate.

Whilst criticising the appointments, the editorial made it clear that, nonetheless, the writer thought that the idea of a national education curriculum was a good one, describing it as nonsensical for schooling to change at every state border, and noting that a national curriculum was favoured by "both sides of politics". The idea that education might be a matter best left to the individual, or at least to individual families, was not considered. Rather it was seemingly that the new appointments did not reflect the editorial writer's view as to what was the right and proper choice of education for the nation's children to receive.

Why then should we oppose any national curriculum, regardless of whether we personally approve of its contents? By definition a national curriculum is one imposed on all. To that extent the teaching of the various subjects has ceased to be independent and we are all less free. As noted French historian Edgar Quinet declared, "If it loses its independence, nothing is more quickly

corrupted than history". Although directed specifically at history, the observation might almost as readily accurately apply to science, literature or even mathematics

Although there was considerable media debate in the days following the announcement of the new appointments it was clear that most contributors who were published accepted the concept of a national curriculum. The controversy was over which particular viewpoint should prevail as to what that best should be. What was seemingly important was that the curriculum should be determined at the national level to achieve a national result. The curriculum having been determined, all teaching within the nation would be required to conform to it.

Far from being a good idea however, the reality of a national education curriculum is decidedly negative. *The Weekend Australian* editorial writer of September 13/14 wrote in support of Federalism, and addressed the question of education. Whilst conceding that education in some states left something to be desired, the editorial writer asked pointedly, what if a single national curriculum turned out to be as bad? State mandated educational curricula are not independent, but the competition inherent in the diversity of states' based curricula, rather than a monopoly national curriculum, will tend to ensure a better overall result. And in diversity there is freedom.

As history demonstrates, national uniformity achieved by national education, is not a recipe for a successful civilized society. Rather it is a sine qua non for rampant nationalism, the hallmark of rogue states and failed societies. We do not need another Nazi Germany or Soviet Union. *DBS*

VENUE ARRANGEMENTS

At the Malvern Vale Hotel, a private room upstairs (to the right through main restaurant entrance when entering from Malvern Rd) has been reserved. There is NO BYO at this venue. Drinks are at bar prices. Car Parking is available on Malvern Rd from 6.30pm and in the car park at rear. The No. 72 tram stops outside. The Tooronga Station is 400m away. We hope these arrangements do not cause inconvenience and we welcome your feedback.

Laissez Faire

Newsletter of the Australian Adam Smith Club (Melbourne), No 88, September 2008



RUSSIA'S THREAT TO LIBERTY IN EUROPE

Russia is on the march. The threat to liberty in Europe, indeed the world, should not be underestimated. The West had breathing space between the collapse of the Soviet Union and the revival of Mother Russia to extend freedom to Europe's captive nations. The new foreign policy of Russia is little more than the foreign policy of the Soviet Union stripped of ideology. Speculation whether we are in a new Cold War is futile. The Cold War never ended. It was an armistice, not peace. Russia's strategic aims in Europe are almost identical to those of the Soviet Union. The new Russia is more powerful than the old Soviet Union. The new Russia has the oil weapon, which has not only given the Kremlin leadership leverage over Europe's energy supplies, but also vastly enriched the government's coffers and Putin's chosen oligarchs. Do not overlook the role of economics in the new Russia. The Soviet Union's economy collapsed and then so did the evil empire. Russia's aim is to restore its dominance in the 'near abroad,' that is, the old Soviet states, now nominally independent and also Eastern Europe. Poland in particular has always been a battleground and buffer between Western Europe, in particular Germany, and Russia.

'Georgia is only a pesky midget blocking the way to Ukraine. Russia's ultimate and more important target is Ukraine, not Georgia. This is why the Russian war against Georgia is of the utmost strategic significance,' says Walter Jajko. Jajko, is a retired US Air Force brigadier general and former Defense Department Acting Deputy Assistant Secretary for Policy Support and Assistant to the Secretary of Defence (Intelligence Oversight).

'The Russian animus against Georgia is long-standing. Russia has been engaged in a low-level war against Georgia since the dissolution of the Soviet Union. The late Georgian President Eduard Shevardnadze contributed mightily to that dissolution and the Russians ever since have thirsted for revenge. The subsequent American armed support for Shevardnadze enraged the Russians. The US had trespassed into "Russia's backyard" and since then has continued to exercise very shaky squatter's rights in Georgia,' says Jajko.

Georgia is an affront to Russia. Speculation on the proximate cause of the war is futile. In moving into South Ossetia, Georgia was asserting its rights as a sovereign nation to exercise control over its own territory. Russia's justification, that it was defending the rights of Russian citizens, has sent shivers down the spine of the former Russian colonies. They all have Russian enclaves or minorities. In other words, Russia has 'the right' to intervene in all its former colonies.

'The Kremlin is very unhappy. It has even threatened a nuclear strike against Poland. Its increasingly shrill rhetoric coupled with its brutal military campaign in Georgia indicates Russia's confident return to its old imperial ways. It has also shown that it can flaunt international law in regards to the "near abroad," the nations formerly incorporated in the USSR. Ukraine, the Baltic states, Azerbaijan, and others can hardly ignore the Georgian lesson as they are next on the list of "re-assembling the lands of Russia,"' says Marek Jan Chodakiewicz, Academic Dean and Professor of History at the Institute of World Politics in Washington.

'Russia's war against Georgia jolted the US into concluding a defence deal with Poland. The agreement provides for the deployment of a battery of Patriot missiles on Polish soil. It complements an earlier accord with the Czech Republic, which consented to host the radar component of the American defence system. This so-called "Missile Shield" is a tactical device set up to guard Europe and Israel against a rocket attack by Iran or other rogue state, according to Washington. For Warsaw and Prague, however, the Shield is of strategic significance. Its unheralded role is to protect the former Soviet satellites from a new Russian aggression. It is also the first step to achieve US military presence in those countries modelled after the South Korean paradigm. That is precisely how Moscow views the defence installation,' says Chodakiewicz.

Australia has some leverage in this dispute. Russia has its energy weapon – it supplies 40 percent of Europe's oil and gas and has occupied the Georgian Black Sea oil port of Poti, effectively ending the shipment of oil to Europe through non-Russian pipelines. All oil and gas going to Europe from the East is now in Russian hands. But Russia has its own energy dependence. As a legacy of the Soviet era, Russia depends for much of its electricity generation on nuclear power. Australia has a contract with Russia to supply uranium worth \$1 billion annually to Russia, with strict conditions on its use. That constitutes our own energy weapon. The Russians have warned of 'serious consequences' for Australia if we go down this path. The Russian bully is back. *JRB*

A MOST CONSERVATIVE FORCE

Labour market reform is a perennial ambition for those who wish to see a more liberal and prosperous Australia. Probably the greatest mistake of the Howard government was to put lawyers in charge of selling its fundamental reforms to the labour market to the Australian people. A court of law is not a place where you sell ideas to the public. The primary aim of most people is not to live in a perfect society but to make a living and support themselves and their families. When you threaten someone's job, they react. The Howard reforms threatened to make the union movement irrelevant and like any powerful, wealthy vested interest the union movement mobilized its resources, successfully defeating Howard's industrial relations program. All was not lost. Mining workers are more productive with less regulation and make more money. The lunatic days in Western

Australia's Pilbara iron ore mines when industrial action was threatened over the biscuits in the tea room are behind us, thankfully. Unionism is now entrenched in the government sector – the public service, the police, teachers, nurses and other institutional employees. Australia is becoming like America -- a unionized job is a precious asset, not to be given – or taken -- away lightly. As such, unionism is the most conservative force in Australia, because change threatens union members, and thus unions resist change. Also, unions seek to entrench and expand government power and the jobs of their members – when did you hear a proposal for "improving education" from the teachers' unions that didn't involve the government paying more teachers more money? *JRB*

INTERESTING TIMES

During the last year or so the world has witnessed a steady stream of what is perhaps best described as financial disasters, which now seem to be becoming bigger and occurring faster with each passing day. Just to mention a few we have had the sub-prime mortgage crisis, the collapse of US investment bank Bear Stearns, the run on and nationalization of the UK bank Northern Rock, the nationalization of the US mortgage facilitators Fannie Mae and Freddie Mac, sliding worldwide stockmarkets, the collapse of major US investment bank Lehman Bros and the take over of another, Merrill Lynch, and the American government's bail out of the world's largest insurer, AIG. As well, we are warned that the big 3 American auto makers and half the world's major airlines are now on or fit only for life support.

A casual observer of the scene, as described above, could perhaps be forgiven for concluding that the world is about to enter, if it has not already done so, into the Second Great Depression. We are constantly told however that this is not the case and is not even likely. This is because we are blessed with a world wide network of Central Banks with unlimited capacity to create money, and the skill

and knowledge to ensure that such a thing as a Great Depression never occurs again. There is however a growing band of sceptics. Learned and knowledgeable in economics and history, they point out that the same Central Banks were around for the start of the First Great Depression and, moreover, they were doing precisely the same things then that the major Central Banks of the world are doing today. In fact, say the sceptics, it was Central Banks doing precisely what they are doing now, which caused the 1930s Depression to be great in the first place.

Given this distinctly pessimistic appraisal of the situation, a number of the sceptics are advising those who care to listen to their advice, to acquire gold in order to protect themselves from what appears to be a looming financial catastrophe. Knowing history as they do however there seems to be a surprising inconsistency in such advice. Faced with just such a catastrophe, the American government in 1933 engineered what was arguably the biggest gold heist in history, President Roosevelt's seizure of the people's gold. If a similar financial situation arises, one should surely assume that governments are likely to do the same again. *DBS*

RE: FARM LOBBIES ABANDON FARMERS

Following publication of the piece in our last Laissez Faire from the Carbon Sense Coalition we received a number of challenges to the claim, as contained therein, that emissions from farm animals of carbon dioxide into the atmosphere was equal to the amount previously extracted therefrom by the vegetation consumed by the same farm animals. Net addition of atmospheric gas was therefore zero.

There were essentially two challenges to this claim. Firstly it was said that the plants consumed by the farm animals actually obtained at least some of their stored carbon from the soil in which they grew rather than the atmosphere. Secondly, it was said that the emissions of farm animals were methane rather than carbon dioxide, a far more destructive greenhouse gas. We now publish the response of the Carbon Sense Coalition to these challenges.

Question 1: Animal Emissions do not net to zero because plants must get carbon from the soil.

Some people think that grazing animals do not have zero net emissions because the plants they graze on get some carbon from the soil.

The main things that plants get from the soil are minerals and water. They get most of their carbon via photosynthesis from the carbon dioxide in the air. However, it may be true that some plants, and thus grazing animals, may get some carbon from the soil. Where does the soil get its carbon from?

There are only three possible sources for the carbon in the soil:

1. From plant roots or from the microbes, fungi or bacteria that live on and in symbiosis with the plant roots. As these grow, die and decay they create the humus in the soil that fosters plant growth. All of this carbon comes ultimately from the CO₂ in the air, extracted by plants.
2. From decomposing outcrops of seams of coal or oil shale. I have done much exploration for coal and notice the rich dark soil over what used to be the outcrop area of coal seams or other fossil carbonaceous material. However, interesting though they are, this accounts for a miniscule contribution to carbon in the soil, and most of it ends up in the air.
3. From rocks containing inorganic carbon, such as limestone, magnesite and dolomite. However very little of this carbon stays in the soil. As soil acids attack the carbonates, CO₂ gas is released and escapes to the same old reservoir, the atmosphere. Much of this is then re-absorbed by surface waters such as oceans, rivers and lakes.

The conclusion is obvious. For the great mass of soils, far from any rocks containing coal or carbonates, the soil must get the bulk of its carbon from the atmosphere, via extraction of carbon dioxide via photosynthesis in plants. Animals tie up some of this carbon in flesh and bones and emit the rest via solid, liquid and gaseous wastes.

Question 2 - Animal emissions are methane, not carbon dioxide, and thus more potent as Greenhouse gases.

Firstly, animal emissions come from both ends. From the lungs, the emission gas is carbon dioxide. From the other end, methane is a major component, plus solid and liquid wastes. But methane is not stable in the atmosphere and soon (within 5 years) oxidises to carbon dioxide plus water. Every molecule of methane, like every molecule of carbon dioxide, has just one atom of carbon. Thus one molecule of methane when it oxidises, produces exactly one atom of carbon dioxide, which is exactly what was removed from the atmosphere by the plants that the animal fed on.

It remains a fact animals produce zero net emissions. *Viv Forbes - The Carbon Sense Coalition*

RON PAUL'S REVOLUTION

There is considerable interest in Ron Paul's latest book "The Revolution; A Manifesto". The Club has purchased a number of volumes and will be selling them at the dinner. Those attending will be able to purchase a copy for \$25, a considerable reduction on the Melbourne retail price.