

Our Sacred Land

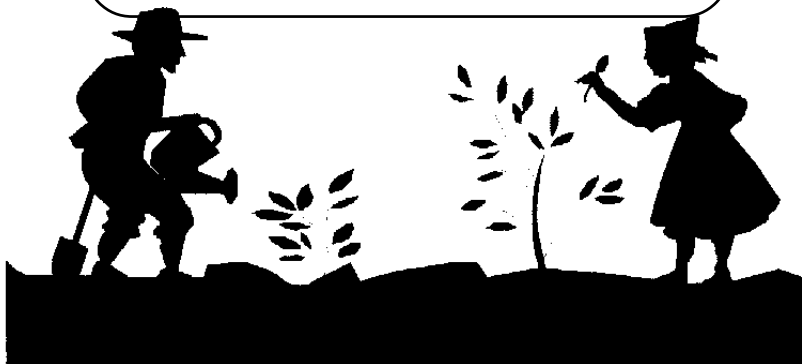
& Other Essays

By Viv Forbes

Every man's property is sacred in his eyes and he will fight to protect it. Only the stupid and the obsessed will protect a long abandoned and forgotten aboriginal rubbish heap while condoning the seizure of third generation rural kingdoms and occupied suburban homes.

Such action is oppressive and will be resisted.

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*Warning: These essays contain biased
opinions likely to cause offence to many
of those in the tax consuming industry
and to their mouthpieces in the media.*

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¹ Address by Viv Forbes to the Defence Industry Study Course. Brisbane 17 October 1995. All other articles were written for *Business Queensland* 139 Leichhardt St, Spring Hill, 4000. They are reprinted with acknowledgment.



The Author, Viv, and his good wife Judy, Christmas 1966
True pioneers in every sense of the word, this photograph was taken when the young geologist and his 'field assistant' were living in a caravan, pegging out the lease boundaries of the rich coalfields of the Goonyella basin.

Common Sense

*"In the following pages
I offer nothing more than
simple facts, plain arguments
and common sense."*

Thomas Paine

ISSUE No 100, November 1994

The Heartless Country

Australia is the most urbanised continent on earth, with 85% of our people living in cities and towns. Our city population is crowding around the state and federal capitals and our tiny rural population is drifting to the coast. The vast inland is virtually unpopulated—we are becoming a land without a heart.

Decentralisation was a feature of last century. It was a time of exploration and development. Led by prospectors and squatters, people from all over the world were lured into the outback by the promise of prosperity and a better life. Many found it. These pioneers were followed by merchants and traders. Towns sprang up, roads and railways were built. This vibrant process started to die, ominously enough, with federation.

The centralisation of Australia is a feature of this century, and our urbanisation parallels the growth in the cost, size and power of central governments.

This is no coincidence because government is the world's greatest centralising force.

For example, the tributes of the Greek empire funded the wonders of Athens. The Roman empire created a city of great wealth and power from a village on the Tiber. The Russian Empire of Peter the Great was bled to build his fabulous St Petersburg in the cold swamps on the Gulf of Finland. Foggy London became the world's leading city when it was overlord of the British peoples and their empire.

Closer to home, the artificial city of Canberra, with its rapid growth, the highest income per head in Australia, its bureaux and monuments, lawns and parliamentary palaces, is both a symptom and a cause of centralisation in Australia.

The mere existence of a central government is a potent cause of centralisation, and the greater its power, the more chronic will be the distortion.

Governments in Australia employ about one third of our workforce and consume about 40% of our income. Over half the population are net consumers of tax. This concentration of people, power and patronage force-feeds the imperial cities to the detriment of the provinces which supply the people and the taxes which make it all happen.

In addition to the centralisation caused by the government octopus itself, most government policies have accelerated the trend. Particularly pernicious have been government policies on wages, taxation, transport, land and mineral tenure and barriers to trade.

The centralised wage fixing system is the worst. Every time some tribunal in Canberra or Brisbane decides on a national wage increase, some stockman or labourer in the outback loses his job and heads back to the coast for a life on the dole.

Taxation has created some of the longest milch cows in history—they feed in Cairns, Camooweal, Coolangatta and Cunnamulla but all are milked in Canberra. Naturally, this overflowing honey pot attracts the drones.

The dreadful fringe benefits tax has probably done more to depopulate the outback than any other single measure.

A small number of people, such as prospectors, roo shooters, farmers and graziers live in the bush because they make good money or they love the life style. Most employees, however, will only leave the comfort and security of the cities if they get good, cheap housing. To attract their workers, modern mining towns such as Moranbah and Weipa sprang up, bringing new services and people to lonely places. All over the country, farmers and graziers built workers' cottages to attract stockmen, jillaroos and caretakers.

FBT killed all that. Employers are now fined if they provide housing for their employees, so they have stopped doing it. Work is done by transients who bus or fly in leaving their homes and families elsewhere. Tax is depopulating the outback.

Fast and efficient transport services are essential if decentralisation is to occur. However, Government mismanagement of transport gave us an expensive air monopoly, a slow and complacent rail monopoly and destruction of coastal shipping. All of this helped destroy the profit or pleasure in outback life.

That great Queenslander, Charles Russell, in his book 'Country Crisis' detailed many stupid policies which destroyed

country industries such as flour milling, wool scouring and other processing.

Some politicians have recognised the problem and many cushy jobs have been created to debate ‘decentralisation’. Whole departments, million dollar budgets and high powered consultants have grown up around the decentralisation industry. But who now hears about the disasters of Don Dunstan’s Montaro City, Whitlam’s Albury-Wodonga Corporation, Wran’s Bathurst-Orange Scheme or even the ‘Multi-Function Polis’?

All these schemes failed because they attempted to transplant manufacturing or technology to inappropriate locations instead of building on industries rooted in the firm foundations of local resources or geography.

Mining, agriculture, tourism, forestry, hunting and fishing are the foundations for natural decentralisation. Gold and copper, wool and wheat, pearls and prawns, iron and coal, sugar and meat, beaches and forests—these are the great decentralisers. These industries by their nature are securely rooted in far flung places. If governments reduced the obstacles and taxes they have placed on them, they would create the magnets for others to follow.

The reverse is the case. Anyone engaged in mining, forestry, agriculture, hunting or fishing is made to feel like a child molester by the ruling classes in government and the media. As a mining friend from Kalgoorlie, Ron Manners, said to me recently, ‘When asked what I do for a living I say “I loot, pillage and rape”—it attracts less criticism’.

For years we have been told we do not need mining, agriculture or forestry which exploit the earth—we should return to nature and live on tourism. So they shut down the uranium industry, closed most of the Northern Territory to exploration, destroyed the mineral sands industry and locked up huge resources of minerals, land, pasture and timber in nationalised parks and world heritage areas.

People like Keith Williams believed their spell and decided to cater for the promised boom of ecotourism. ‘Oh no’, they said ‘you can’t build roads and resorts—they will attract people who will destroy this fragile environment’. Soon our only option will be emigration.

The Shoalwater Bay fiasco provided a good example of government hypocrisy, duplicity and stupidity.

The Shoalwater decision locked up a huge area of good coastal country with abundant water and energy resources, a fabulous natural

deep water harbour and a climate most people in the world can only dream about.

The area is rich in mineral, pastoral and timber resources, close to transport and population centres, and well suited to intensive farming such as orchards and feedlots or value adding activities such as food and mineral processing.

The federal government sterilised it all. Just a day or two after this act of national sabotage Mr Howe, the Minister for Regional Development, came to central Queensland and lectured the locals on the need for more value-adding job-creating developments in the region! No doubt a new department will be formed.

The cure for centralisation is decentralisation. This should occur at federal, state and local government level. Canberra should be cut back to its essential functions of defence, quarantine and maintenance of free trade between the states. The states should sell or privatise their nationalised industries and cease the forced centralisation of local governments.

There must be a devolution of power and resources from Canberra to the states, from the states to the cities and shires and from government officials to private individuals. If this is not done we will be forever afflicted by the centralisation syndrome 'apoplexy and empire building at the centre, muddling and paralysis in the outposts'.

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ISSUE No 101, December 1994

The Middle of the Road

Mr Downer tells us his goal is to shift the Liberal Party back to the middle of the road. And every year his party seeks to discover political truth by consulting public opinion polls or counting votes in national conventions. We are told there is no longer room for rigid principle—we must adopt moderation, compromise and pragmatism our principles. This search for the middle of the road is not the solution—it is part of the problem.

That great Frenchman, Frederic Bastiat could have been quoting from a modern political manifesto when he wrote, 150 years ago—

Highway robbery, the wise men said, is neither good nor bad in itself; it depends circumstances. All that needs to be d to keep things evenly balanced a d pay us government officials well for this labour of balancing. Perhaps pillage has been allowed too much latitude; perhaps it has not been allowed enough? Let us see, examine, let us balance the account of each worker. To those who do not earn enough we shall give a little more of the road to exploit. For those who earn too much, we shall reduce the hours, days or months during which they will be allowed to pillage.

According to Bastiat, those who spoke in this way acquired for themselves a reputation for moderation, prudence and wisdom. They never failed to rise to the highest offices in the state.

As for those who said 'Let us eliminate every injustice, for there is no such thing as partial justice; let us tolerate no robbery, for there is no such thing as a half robbery or a quarter robbery'—they were regarded as idle visionaries and tiresome dreamers who kept repeating the same thing over and over again. Besides, the people

found their arguments too easy to understand. How can something so simple also be true?

Ours could well be called 'The Age of Relativity'. There is no longer a correct answer to any moral question—the truth is obtained by public opinion polls. In any dispute, the judgment must be in the middle ground between the adversaries.

But the truth need not lie in the middle. If you believe in conscription and I believe in volunteers do we compromise by retaining conscription and turning a blind eye to deserters?

A mixture of food and poison is still poison. Or as Ronald Reagan said so clearly 'Moderation can be overdone. Do you want your surgeon to be moderately competent? Do you want your banker to be reasonably honest?'

There is a place for compromise but it is not in matters of principle. As the UN is finding, you cannot be evenhanded between aggressors and defenders. Once some degree of aggression is accepted, there is absolutely no point at which the line can be drawn and the slide into savagery arrested.

Our 'even handed' media has much to answer for. When a bunch of thugs calling themselves a union besiege a small nonunion business to prevent others from dealing with him, it is called a 'dispute', as if both sides were equally to blame. Our 'moral' statesmen then seek a compromise solution between one man's right to peaceful trade against another group's right to coercive blackmail. And naturally, in this era of democracy-gone-mad, the compromise is invariably closer to the group with the greatest numbers.

Those with a blind faith in head counting should remember, even if a million men say a foolish thing, it is still a foolish thing.

The Age of Relativity is also corrupting the legal system. The clear straight road of the rule of law such as seen in the ten commandments is being concealed by the clammy fog of ministerial discretion and retrospectivity seen in many of our Ten Thousand Annual Regulations. Even Genghis Khan recognised the dangers of capriciousness in a ruler, 'At all times his people must know that his laws are undeviating, and that a certain action will bring a fixed and certain result'.

The political expression of the Age of Relativity is called pragmatism, and it is lauded as a virtue by people who should know better. Pragmatism got us into the mess we have today. Its zenith was surely seen in the answer of a candidate for the Australian Senate in 1980. When asked about his policies he answered, only partly in jest, 'Policies? I have no policies. Policies are for people who can't

make up their mind on the spur of the moment'. Perhaps he too was seeking the middle ground?

The surrender to pragmatism has been accelerated by sloppy thinking about goals and tactics. To paraphrase Thomas Jefferson—'In matters of principle, stand like a rock; in matters of tactics swim with the current'.

The defenders of the free society are the chief victims of the pragmatists, for pragmatism is itself a principle, but not one consistent with freedom. The touchstone of the pragmatist is 'There are no fixed principles—all that matters are the practical effects' (and this usually refers only to the short term effects on those with a direct interest). Such a principle is the total antithesis of the rule of law, the unconditional protection of property rights, the absolute freedom to trade and the total sanctity of contracts.

The followers of Karl Marx have been the most outstandingly successful politicians of the twentieth century. Starting as a philosophical novelty in the drawing rooms of a few prosperous intellectuals, Marxism grew until its ideology imprisoned two thirds of the world and severely restricted most of the rest. Their opposition has consisted chiefly of pragmatic conservatives whose fear was not of the principles of Marxism, but rather of the speed at which they were being introduced.

Never have the Marxists depended for their success on the agnosticism of pragmatism, and never did they seek the middle ground. Their visionary attachment to ideological purity won the minds of generations of idealistic youngsters many of whom had no idea of the origin of the ideals they were embracing. And their pragmatic tactic of ruthless exploitation of every opportunity insinuated their ideas into every aspect of community life. (While all the time they disarm their opposition with the cry 'Let's keep this nonpolitical').

Lenin himself described their strategy as 'ideological pragmatism'—utmost flexibility in tactics combined with an unshakeable commitment to basic doctrinal beliefs.

The search for popularity and the middle of the road is a search for power and position. But as Robert Haupt said recently 'When Australian political history is written, who sat in the Lodge doesn't count for much; whose ideals prevail is what matters'. Australia is still in the grip of the collectivist ideology. This scourge will not be removed by middle-of-the-roaders, even if they win hollow victories at the polls.

Our only hope is in the steadfastness of people like John Howard, within the Liberal Party, and the radical conservatism of various mavericks and zealots outside it.

Common Sense

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ISSUE No 102, December 1994

Time to Butcher 'Aussie-Beef'

The Australian meat industry has more bureaucrats per producer than any other industry. There are stock inspectors, meat inspectors, health inspectors, factory inspectors, 'research' bureaucrats, state and federal departments of primary industries, health departments, quarantine inspectors, consumer affairs officials, levy collectors, state and federal meat and livestock authorities and hundreds of rules and regulations. All of this funded by fees on every beast that bellows or bleats.

I don't know what it all costs us, but a US study found that a pound of hamburger meat costs eleven cents more because it was controlled by 41,000 regulations, 200 legal statutes and 161,000 precedent-setting court cases on behalf of consumers. (I do know that Darling Downs Bacon Coop, once Australia's largest pork exporter, abandoned pork exporting in 1993 because it was costing \$1.7 million per year for export licences and red tape.)

Despite all this costly supervision, the meat industry is regularly hit by meat quality scandals. We've had the horse meat switch, the kangaroo caper, the pet meat swap, the cane tops contamination, the potato pesticide problem, and now the cotton trash scandal. Every meat producer, irrespective of the quality of his meat, is hurt by these national meat demotions. Maybe it is time to question whether producers or consumers get value from the costly and high risk nationalised beef brand.

The recent discovery of meat contamination through cotton trash sent a tidal wave of concern through every export market. Despite the extremely limited nature of the contamination, American, Canadian and Japanese meat producers (and their mates in the media

both here and overseas) had a field day reporting the withdrawal of Aussie Beef from sale.

Every producer and exporter was punished for an innocent mistake by a few desperate drought stricken farmers and a slack government meat inspection service.

When a nationalised brand name is devalued, the cost is enormous because it devalues every kilo of meat in the country. Our beef industry can no longer afford the cost and risks of nationalised beef brands.

Private brand names have one great advantage their costs and their benefits are confined to those who deserve to get them.

For example, ten years ago, British Airways served contaminated prawns to its first class passengers. 766 passengers and crew were hit by salmonella poisoning. One died and several became seriously ill. Within weeks the airline had paid out \$1.5 million to victims and had been hit by four law suits claiming over \$11 million in compensation.

British Airways suffered great damage to its brand name and its balance sheet but (and this is important) no other airline was damaged—only the offending brand. To restore the value of their brand name, British Airways immediately spent \$8 million refurbishing their catering centre at Heathrow in London. (This was probably demanded by their insurer, who also had a vested interest in preventing a repeat of such payouts.)

Competing brands are not only shielded from the cost of scandals in competing products, they actually benefit when a competitor falters. QANTAS, PANAM and others were immediate beneficiaries of the prawn problem at British Airways.

However, with nationalised brands like 'Aussie-Beef', the only beneficiaries of its problems are foreign competitors.

The fatal problem of nationalised brands is that no individual or company sees specific benefit in protecting the brand name, and many see the supporting rules and regulations as a cost and an intrusion. What is available to everyone and charged to everyone, becomes of value to no one.

A more insidious problem concerns the tendency towards complacency, laziness, discrimination and corruption in any regulatory service. This alternates with demands for more cash and more power.

Way back in 1975 and 1977, complaints were made to Victorian and Federal meat inspectors about illegal diversion of low quality domestic beef into the export market. Nothing was done

‘because of fears the impact of disclosures may have on Australia’s meat export trade’.

Three major Australian Meat exporters complained again in 1980, this time to Federal Police, about meat substitution, (which by then included horse meat). Bert Kelly chaired an investigation which reported that abattoir managers were using gifts to induce meat inspectors to look the other way. Bert’s report was shelved.

Nothing happened to fix the problem until Aussie meat hit the mincer in San Diego in July 1981 out of a shipment of 600 cartons of beef, 102 contained horse meat. The consequences were swift and devastating—trading in beef futures was suspended, Australian beef in the US was quarantined, newspapers headlined the story and the US Department of Agriculture (an arm of the US Beef producers) delegated 2,000 officials to investigate the problem. The price of US, Canadian and NZ beef rose 20c per pound. One of Australia’s largest meat exporters, Smorgon’s (who were not involved in the fraud) suspended their operations.

The subsequent Royal Commission reported administrative timidity, bureaucratic inefficiency, deliberate cover up, corruption among meat inspectors, and a black market in ‘Australia Approved’ meat stamps. (Incidentally when the Royal Commission was announced, there was an orgy of shredding of ‘sensitive’ files in the Department of Primary Industries in Canberra.)

The scandals and the Royal Commission did cause a major clean up, but they can never solve the root problems. Cycles of excessive cost, complacency and corruption are inevitable in every bureaucratic accreditation scheme. There are too many incentives for cheating and slacking and not enough people with a direct vested interest in quality control and the value of the good name. Public property is no one’s property.

It may be useful for beef producers and bureaucrats to look at the quality controls which regulate the coal industry.

There are many similarities between beef and coal. There are a large number of producers selling a great variety of products into many markets with different preferences. Product specification is difficult, being a blend of measurement, art and tradition. In both, the quality of the product can—deteriorate with age and can be degraded by contamination with foreign bodies or inferior products. But in quality control and brand identification, coal works without an army of inspectors and fees and there has never been a scandal to rival the procession of disasters produced by the government beef promotion and inspection services.

Every coal producer has his own brand name and he guarantees the specifications of his product. Every coal shipment is analysed by the producer, by an independent laboratory or by the consumer, usually all three. Every sales contract contains bonuses and penalties if contract specifications are not met.

And if a shipment of 'Norwich' Brand coal, for example, fails to meet the minimum acceptance standards, no damage is done to the reputation of 'Curragh' coal, 'South Blackwater' coal or 'Burton' coal—in fact they all benefit. And you can be sure the next shipment of Norwich coal will meet agreed specifications.

Strong brand names cannot develop in an environment smothered in government regulations and inspections. If it appears to consumers that all beef is of equal quality, guaranteed by the government, why pay more for a particular brand? The possibility of poor quality and fraud is what gives a good brand its value. Bureaucratic quality control destroys the good brands, leaving everyone dependent on the nationalised brand. This faith will always be betrayed eventually because of the three C's cost, complacency or corruption.

Our beef market is too important to be left in the hands of bureaucrats. Governments should confine themselves to policing fraud, deceptive labelling, control of contagious diseases and breach of contract. All other quality control is best handled by those with the most to gain or lose.

Japan would not buy 'Aussie-Coal'. Why should we expect them to buy 'Aussie-Beef'?

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Tax Wars

Nearly 2000 years ago, Augustus Caesar, the patron saint of tax consumers, sent out a decree that 'all the world should be taxed'. It is one of the few decrees supported by democratic and autocratic overlords ever since.

In every era, most of the tax collected is used to support the government apparatus and its friends, to build monuments to their folly or to wage their never-ending wars—wars about land, power and empires, crusades and holy wars, civil wars, peacekeeping operations and cold wars, the hundred years war and the war to end wars, the war on drugs, the war on poverty, the war on inflation ... all financed by an eternal war on tax payers.

Tax payers are now outnumbered by net consumers of tax and the government apparatus consumes nearly 50% of all we produce. (We should call back Joseph of the Egyptians—he only wanted one fifth).

Despite this overload of taxes, the last election was lost by a bunch of well meaning dummies who offered us yet another tax. Now the government propaganda machine and its mates in the media are softening us up for more taxes in 1995.

And those who should know better, divert attention from the real problem by encouraging debate about what the tax is called, who collects it, who pays it, or how it is calculated.

There is only one tax on the people, and that is government spending. Any talk about tax reform, which does not focus on government expenditure is not part of the solution—it is part of the problem.

Those supporting higher taxes are trying to tell us that all government expenditure is justified, and nothing can be done to

reduce it. I can think of five areas where hundreds of millions of dollars could be quickly found to reduce government debts and deficits, thus eliminating all need for yet more taxes.

The war on tax must focus on the five tax giants -

1. Duplication
2. Subsidies and Regulations
3. Foreign Aid
4. Welfare
5. Bureaucracy

Duplication will cause the failure of federation. In our first 100 years Canberra was a productive sheep station and, unhampered by a single federal law or bureau, Australians built the richest, most tolerant, most decentralised and most egalitarian society in the world, with low taxes and negligible unemployment.

Since federation, Canberra has waged war on its colonies with dozens of government departments, hundreds of taxes, thousands of bureaucrats, millions of tax consumers and billions of dollars in taxes. (The Americans declared war on George III with far less provocation than this). With a huge rich continent and lots of work to do, federal incompetence has given us struggling industries while we pay a million people not to work.

The first step in the war on tax must be to eliminate every federal department that duplicates a state or local government one. Candidates abound—health, education, transport, environment, agriculture, minerals, tourism, consumer affairs, manufacturing there is enough fat here to eliminate the deficit and abolish a headache of taxes too.

Step two of the tax war is to abolish all subsidies to private industry, government businesses, unions, lobby groups, all political parties, arts, culture, sport, expos and car races. Subsidies are a zero sum game. Apart from defence considerations, there can be no national benefit in taking from one group and giving to another. In fact subsidies produce a net loss. The donor is weakened, the recipient is corrupted and the bureaucracy is enlarged and enriched. Too often, as the Ros Kelly exercise showed, selective subsidies are used as political bribes or payoffs.

At the same time as subsidies are slashed, we should also eliminate most of the mountain of costly regulations and red tape which merely restrict the freedom of honest men and women to go about their production and trade in the way that suits them best. There should be no specific industry regulations—merely a few

general laws against fraud, deception, assault, robbery, invasion and pollution in every field of human endeavour.

Step three of tax reform is to make a massive cut to foreign aid. There have been numerous studies which show the destructive effect of all government-to-government handouts. The damage to the donor countries are obvious taxes and bureaucracy. But the damage to the recipient is greater and more insidious—foreign aid force feeds the government apparatus and allows it to become independent and contemptuous of its local tax paying industry. Where aid is in the form of free or subsidised goods, it also destroys local industry trying to compete in those fields.

Like welfare, foreign aid encourages dependency, postpones necessary reforms, and soon becomes resented by both giver and receiver.

Speaking of welfare, if ever there was a cesspit waiting to be cleaned, the Australian welfare mess is it. Welfare is now our biggest single industry. Every year the budget grows, the welfare bureaucracy grows, and the number of recipients grows.

Taxes, regulations and welfare have made it unprofitable for employers to hire people, and unprofitable for many on welfare to accept work. The policies of the last 20 years are obviously a failure and should be abolished as quickly as possible. (We should start with abolition of the CES.)

The corrupt politicians of earlier centuries at least used their own money to buy votes. Today, vote buying is our biggest organised crime, but now the corrupt politicians use our money, not their own. Maybe it is time to abolish all special and racial welfare schemes to be replaced by a single minimum income scheme which is designed to provide bare necessities to the truly unfortunate, but leave large incentives to supplement government income with honest earnings.

Once we have eliminated or decimated duplication, subsidies, red tape, foreign aid and welfare, it will have automatically gone a long way towards solving the final tax problem—bureaucracy. Control of the size and employment conditions for the remaining public servants should be turned over to an independent commission who can restore some discipline, accountability and performance to an often overmanned and featherbedded service.

This then is the latest in the long history of wars generated by taxes. But like the Boston Tea party and the Eureka Rebellion, it is a war against taxes, not a war instigated by tax collectors seeking more victims.

As Churchill said in the thirties—‘We will surely do it in the end, but how much more the cost for each day’s delay?’

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ISSUE No 104, February 1995

'Care' and other Four Letter Words

Looking at the loggers blockading Canberra the other night prompted the thought 'Only the government could take a wholesome word like "conservation" and, in the opinion of many hard working, tax paying, law abiding Australians, turn it into a four letter word'.

Our language is littered with words whose meaning or image has been destroyed by the tainted touch of the government propaganda machine.

Take 'Care'. Who could oppose such a worthy concept? Because of its once good image it has been hijacked by bureaucrats to form the icing around many bitter pills.

The worst is 'Medicare', a system of compulsory medical taxation which has so corrupted both users and providers of medical services that it requires an ever growing army of bureaucrats, inspectors and surveillance computers to prevent it bankrupting the taxpayer. Because it is 'free' it is used up to the point where its value equals its cost. Patients with serious illness are caught up in the queues of hypochondriacs, malingers and those with trivial ailments. Bureaucrats with the power of life and death decide who will get treated and who must wait. This whole corrupt, bloated, impersonal, bureaucratic and coercive system is called 'Care'. It's a bit like selling a pornographic magazine with Mary Mackillup on the cover.

If 'Medicare' does not turn 'Care' into a cuss-word, 'landcare' will surely do the job.

Like medicare and conservation, landcare started with lofty ideals—a national groundswell of ordinary people concerned to care better for land, water, trees and soil. Enthusiastic groups of volunteers sprang up all over the country discussing ways to combat real problems such as erosion, salinity and dieback.

But the same ideological zealots who are causing workers to revolt against ‘conservation’ see ‘landcare’ as the next useful vehicle to carry their campaign to replace private property with centralised ownership or control of every bit of land in the nation.

Perhaps the biggest of all government four letter words is ‘planning’. We hear about ‘land use planning’, ‘manpower planning’, ‘regional planning’, ‘industry planning’ and some unrepentant Leninists still talk about ‘national planning’.

Like ‘care’, who could be against ‘planning’? It is obvious to all that those who do not plan where they are going, end up somewhere else.

No one opposes the concept of planning. The real question is, who is going to do it, to whom and at whose expense?

When a bureaucrat or a politician unveils a plan, it always involves taxation, coercion and central dictation. And the plan always creates winners and losers—someone’s life, liberty or property is threatened every time Parliament is in session.

Invariably the most ambitious central planners are the most ruthless dictators. One depends on the other.

Nero had a great plan for Rome unfortunately quite a few workers’ cottages were in the way and had to be burnt down. Napoleon had a grand plan for Europe but it needed Le Grande Army to implement it. Stalin wanted to remake Russian society according to the Marx plan just a few million kulaks had to be liquidated. Hitler sought to remodel Europe on the German plan, but not even the Panzers could overcome the opposition. And it took two atom bombs to deter the Japanese from their plan for co-prosperity in Asia.

The difference between Hitler and the Egg Board is merely one of degree. Behind every central planner stand the men with the jack boots, the bolt-cutters and the resumption notices.

‘Planning’ is becoming a dirty word because of our emphasis on central planning, which has failed everywhere it is tried. In the whole history of the world, the most prosperous, most tolerant and most democratic societies are those where there is maximum scope for decentralised planning. In such a society, every family, farm and factory makes its own plans using its own initiatives, its own

resources and whatever assistance it can attract in voluntary co-operation with others.

Unlike government plans, every private plan depends for its success on community support. It must attract private capital to be implemented. Then, in order to produce a return on the capital invested, it must produce a service or product for which customers are prepared to pay. Anyone whose plans are not supported voluntarily either does not get the capital in the first place, or, if his plans prove generally unacceptable, he loses that capital.

Contrast this with the central plan to introduce medicare, for example. The initial capital (and continuing losses) are conscripted from taxpayers while possible competition is crippled by legislative protection and predatory pricing.

Another government cuss-word, which causes curses whenever I hear it, is 'disadvantaged'. There are definitely people who, through no fault of their own, cannot support themselves or their families. But the great majority of those called 'disadvantaged' by welfare state apologists are merely lazy, stupid, cunning, less skilled or even just choose to take a more relaxed outlook to work and the material side of life.

Other words whose wholesome image is being destroyed by association with government are 'culture', 'heritage', 'ecology', 'education', 'research' and 'antidiscrimination'. Even words such as 'human rights' and 'justice' are being so perverted that ordinary, decent people wonder if they can support them any more.

Unless overbearing coercive governments get out of the lives and the pockets of those who obey the nation's laws and pay the nation's bills, they will find that 'government' too has become a four letter word.

Common Sense

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Thomas Paine

ISSUE No 105, February 1995

The Anti-Industry

At the Loveridge Coal Mine in the US on one particular day, the manager counted 32 state and federal inspectors, each looking for reasons to stop the mine, reduce production or increase costs.

On another day, in Victoria, we saw eleven shop inspectors employed by the government giving evidence against Frank Penhalluriack, who employed fifteen people in his hardware shop. The inspectors were part of the government army employed to keep shops shut at certain times.

Last century's heroes were producers, pioneers, builders, explorers, inventors, prospectors, timber getters, miners, squatters and drovers. We still build monuments to their efforts and slap heritage orders on the things they built.

Today's heroes, however, are those in the anti-industry—those who make well paid careers out of stopping things. They are anti-business, anti-mining, anti-farming, anti-development, antitrade, anti-change and anti-foreigners. Their neurotic preoccupation with the ways and things of the past is destroying prosperity and jobs and creating a generation of children afraid of change, fearful of risk and suspicious of the productive process which supports them.

The anti-industry flourishes in five great allied empires—education, bureaucracy, the unions, the greenies and the media. It is no coincidence that each of these empires depends heavily or totally on government for their funds, their monopoly power, or their right to exist.

Education has become the greatest negative force in our society. The problem was distilled well by Charles Porter, one of the few Ministers for Education who was out of step with his

department—‘Teachers have moved from the concept of endowing children with the tools needed for living to imbuing them with distrust and almost loathing for the society that bore and sustained them’.

They have fanned a genuine and healthy concern for the past, the environment and the disadvantaged into a hatred of the present, a distrust of all man’s achievements and a disdain for the successful and the productive. They have diverted the natural concern we all have for health, safety and security into a morbid fear of the unknown, the unplanned and the unlicensed.

Instead of preparing children for hope, freedom, risk, discovery and selfregulation in the grand arena of life, they lure them into dark cocoons of conformity, forced equality, compulsory co-operation and government guaranteed security. Or they recruit them to their own crusades—we are becoming overrun by deeply concerned people doing post graduate studies.

The bureaucracy, of course, prefers to deal with subservient platoons of obedient little comrades. They enforce the anti- industry edicts made popular by their tool-pieces in the captive education system. With all the communications skills of a stop sign, their punitive over-regulation has produced widespread institutionalised timidity.

Unions too have reached their position of dictatorial power by relying on laws drafted by their mates in the bureaucracy and passed by other mates in Parliament to conscript their grey regiments of due payers. Forced amalgamation is designed to weld these diverse regiments into fearful and obedient industrial armies.

Not all unions are wholly antibusiness, but their general effect is to be so.

The public sector and welfare unions, by consistently supporting higher taxes, are anti-business. All unions, however, are hostile to those businesses out of their control and this generally means small businesses, farmers, non-union shops, and, most importantly, any new business likely to compete with a unionised industry, business or company.

The greenies are the most dangerous arm of the anti-industry alliance. They have picked up the ideological baton dropped by the comrade societies. Their secret agenda is to manipulate real or manufactured environmental crises’ to enforce their control via a world bureaucracy. They will continue the policies of taxes, regulations, red tape and welfare that have already done so much harm all over the world.

The last arm of the anti-industry is the media and propaganda industry, chiefly those parts funded or controlled by governments. Picking up consumerism and environmentalism like a holy crusade, the media has fed the public a steady anti business diet of scare mongering stories about doomsday weather, over-population, pollution and land degradation, all of which depends for its solution on higher taxes and more money and power for the anti-industry.

The worst aspect of the anti-industry is that its negative influence is heavily focussed on new businesses. Those who oppose change are naturally moved to oppose everything new- new mines, new buildings, new work methods, new industries. Their motivation is usually just grubby fear of competition. Sometimes it is genuine fear of the unknown or opposition to change.

The growth of jobs, the maintenance of wage rates and the vibrancy of our economy depends on the rate of investment in new roads, new tools, new factories, new ideas and new businesses.

Two factors are needed to encourage the formation of new businesses. There must be easy access to the factors of production (land, resources, capital and labour) and minimal legislative or industrial barriers.

Neither of these factors are present in today's Australia. Despite a million people out of work and more youngsters seeking jobs every year, the anti-industry has made business building an unattractive proposition.

Firstly, they have made it difficult to obtain the factors of production. Land, minerals and timber that could support new businesses are increasingly locked up in nationalised parks, aboriginal homelands or heritage areas. Capital from foreigners is spurned and taxes on production and savings is diverting private capital from new business to government consumption. Finally, competition from the dole and the public payroll has made it impossible to find workers for arduous, risky or unpopular jobs.

Secondly, they have made it difficult to start new businesses with a daunting thicket of licences, permits, enquiries and approvals which spring up like bragalow suckers around every good idea.

The anti-industry has committed a great crime against society. They deny hopes, dreams, opportunities and jobs for the new generations.

They have perverted a fascination with the past into a fear of the future. This prevents us from recycling old resources and from generating new ones.

History will judge them, their victims will sentence them and I, for one, will applaud their inevitable execution.

Common Sense

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ISSUE No 106, March 1995

Buy Birdsville Made?

When Yul Brunner was dying of lung cancer, the WA government decided to feature Brunner in an anti-smoking ad as part of their Quit Campaign. Alas, it could not be screened because that would breach the foreign content rules of the ABT (Actor's Benefits Tribunal).

An editorial in the 'West Australian' summed it up better than I can 'Although the advertisement exceeds the 20% foreign content limit for paid commercials the late Mr Brunner could hardly be accused of putting Australian actors out of work. He was not exactly acting when he made the advertisement, nor was he playing a role that other actors would want to emulate.'

In another such incident, Actor's Equity persuaded a federal Court to withhold visas from the pop group 'The Platters', 'to protect the jobs of members'.

Here in Queensland, the ever vigilant Actors' Equity stopped Sesame Street's Big Bird from appearing at a free concert at the Royal Children's Hospital because the foreign actor did not have the requisite three local support acts. Three local stooges were roped in and the show went on.

Down in Wonderland, the ABT banned a TV ad which used Star Wars characters to encourage parents to have their children immunised because 'the ad was not made in Australia'.

Another ABT rule says that Australian film crews must 'participate' in overseas film shoots where more than 20% of a commercial comprises footage of foreign origin. To comply with this rule, some agencies resorted to 'Ghost Crewing' where Australian crews were flown to the home city of the overseas shoot, but they didn't do any filming they went sight seeing and then flew home again.

Hog tied by all these stupid rules, Kerry Packer's PBL Media group moved its TV and film production to the US because 'unions consistently blocked their attempts to use overseas talent'.

We can picture the logical end to this Aussie Actors' Protection Racket classical music without Beethoven, Country and Western without Johnny Cash, rock and roll without Elvis and schools where foreign works by people like Shakespeare, Karl Marx, Einstein, Tolstoy, Mark Twain, Confucius and St Paul are banned?

Can you imagine a typical TV day—one long yawn of re-runs of Neighbours earnest documentaries by the Australian Conservation Foundation, tributes to Patrick White, Quit Ads, live parliamentary broadcasts and George Negus interviewing Ita Buttrose, or vice versa. (And, of course, the never ending cricket).

Politicians are forever trying to foist mediocre products on unsuspecting consumers through all sorts of local content rules and subsidies. Some just rely on costly 'Buy Australian' jingles designed to appeal to the patriotism, nationalism, racism and jingoism lurking in dark corners of most minds. (Surely such attempts to stir up racial hatred and discrimination are illegal under some act somewhere?)

While one bunch of politicians boasts about reducing tariffs to allow greater choice and lower costs to Australian consumers, another lot is quietly erecting local content rules, offset schemes, design rules and labelling barriers, all armed at keeping foreign goods out, or making them more expensive.

While federal enforcers are confining their attacks to people with slanty eyes or funny accents, to provincial protectors the most dangerous foreigners are those who live across state boundaries.

One of the chief reasons for federation was to protect the freedom to trade between the states. However, in actions which seem clearly unconstitutional, all states have employed both open and underhand tactics to assist their local buddies in business and the unions against interstate competition.

Ten years ago, Nick Greiner estimated that these State Preference Schemes were costing Australian taxpayers \$350 million per year.

Most states confined their interference with sound purchasing policy to state government departments and authorities. In Victoria, however, John Cain set up the 'Industrial Supplies Office' to monitor the procurement policies of major private sector purchasers, with a view to 'encouraging' them to use local suppliers.

In assessing government contracts, Queensland added a 20% penalty to prices submitted by foreign companies and 15% penalty

for out-of-staters or Kiwis. An additional rule was then introduced in which Queensland companies tendering for State Government contracts had the right to resubmit their tenders after the closing date. (If at first you don't succeed, try, try again.) Mr Gunn assured Queenslanders that this policy 'was in line with business practices in other states'.

(At the same time, most state bureaucrats insist on Quality Assurance Certification Procedures so complex and costly that many small local firms can't be bothered trying to qualify for state supply contracts.)

The federal government has already spent \$15M trying to convince canny consumers to forget quality, price and service and look instead for the 'Australian Made' label.

Other taxpayers are funding schemes like 'We Make it Great in the Sunshine State'. Where does it all end? Buy Brisbane Made? Fernvale First? Buy Birdsville?

Not one new Australian job is created by these programs, and consumers who are conned by them have their standard of living reduced.

When the cost of imports rises, most consumers will balance their budget by either reducing their purchases of the dearer goods, or economising on other goods. Thus, every dollar spent on expensive local goods rather than cheap imports immediately reduces the quantity of goods available per consumer—ie reduces living standards.

Some consumers will maintain their living standards by dipping into savings. The 'Buy Dear' campaign will thus reduce local investment funds and increase our reliance on foreign capital.

'Putting Australia first' will also destroy Australian jobs among exporters and those employed to distribute imports.

Exporters suffer via the exchange rate.

Every barrier to imports reduces the pool of Australian dollars available to foreigners to buy Australian exports. The price of the Australian dollar will thus rise in the currency market and the revenue of exporters will tend to fall to match the reduced imports. In this way, jobs gained by Australian manufacturers will be lost by both exporters and importers.

And the taxes levied to support the bureaux of officials monitoring all the preference clauses, offsets rules, design regulations, labelling laws, quotas and bounties will destroy more jobs in the tax paying sector.

‘Australia First’ and ‘Buy Queensland’ are protection rackets as destructive as tariffs, but much more underhand.

The Pacific, Indian and Atlantic Oceans and the Aussie Wharfies already constitute a hefty handicap for foreigners trying to get into the Australian market. If our factories and unions are still uncompetitive, let’s keep a flat 10% tariff on all imports, and abolish all the secret and costly trade barriers.

We have nothing to fear but higher living standards for all Australians (except for out-of-work bureaucrats).

Common Sense

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ISSUE No 107

The Inflation Profiteers

Financing the war is every government's nightmare. When the Bostonians revolted against the Tea Tax in 1773, no one considered how they would pay their soldiers.

When war broke out, two years later, the new US Congress created the Continental Dollar equal to the widely accepted Spanish silver dollar. Being rather short of OPS (Other People's Silver), and lacking an ATO, the politicians also authorised the issue of paper money to pay the colonial army.

As the flood of paper money increased, prices rose, price controls were introduced, the silver/paper exchange rate was set by law and silver dollars went into hiding.

By the severe winter of 1777, George Washington and his army starved at Valley Forge because American farmers hid their supplies rather than be forced to accept the over-valued Continental paper dollars. But the nearby Redcoats, 'besieged' in Philadelphia, offered gold and silver coins for food, and ate well.

By 1780, it took 40 Continental dollars to buy one silver dollar. By 1781, it took one thousand paper dollars to buy a silver dollar—hence the phrase 'not worth a continental'. It disappeared, to be replaced by silver dollars and golden eagles.

But during its short life, politicians used the monetary tax of currency inflation to secretly steal enough wealth to finance the war. For those who accepted and held the Continental dollar, the inflation tax rate was 100%.

Because of this short but bitter lesson, it was nearly 100 years before an English speaking politician dared to use monetary taxes again. Once more it was to finance a war—the American Civil War.

After one year of war the Union had printed 2,100 million greenbacks and their value plunged towards their intrinsic value. Unable to afford even copper coins, the Union government also issued fractional paper currency from 3 to 50 cents—these were more useful as bandages than money and became known in the army as ‘shin plaster’. The Confederate paper dollar fared even worse and anyone who held on to it suffered 100% inflation tax.

Again the lesson was learned and gold and silver money were re-instated by 1878.

This century, the century of continual wars on something or someone, has seen an explosion in the use of the inflation tax, with consequent destruction of currencies and widespread economic instability.

The Great War destroyed many currencies and fatally wounded the great pound and the mighty dollar. The pound limped on until 1931 and the dollar until the 1960’s. The world is now drowning in a flood of modern shin plaster being used to finance the Cold War, the War on Want, the Peace Keeping Wars, the War on Drugs, the Greenhouse War and whatever else takes the fancy of power-seeking politicians or the fickle electorate. The inflation tax, once used only in times of dire emergency, is now a routine robbery tool—organised grand larceny.

What everyone calls inflation (rising prices) is not inflation, but may be a symptom of inflation. Price increases can be caused by a shortage of goods, an increase in demand, an increase in government taxes or regulation, or a change in value of the monetary unit. But if there is a general tendency for all prices to continually rise, it is highly likely that the cause is monetary debasement caused by the use of the inflation tax.

The only long term beneficiary of inflation is the government which controls the counterfeit currency—in our case, the Canberra Club.

Various others can get windfall gains and losses from inflation, but only those with a monopoly on money creation can benefit regularly.

Everyone attempts to minimise or evade the inflation tax. Once it was merely a matter of a flight to real assets, preferably financed by long-term fixed-interest loans. But lenders now demand an inflation premium, and CGT is there to catch what the inflation tax misses.

One group however, have managed to profiteer from the federal inflation tax. These inflation profiteers are state governments and their statutory authorities.

State governments inflate thousands of fees and charges such as job licences, corporate charges, rail freight, land tax, vehicle, road and fuel taxes and hundreds of fees for 'service' using some sort of automatic CPI escalation formula.

It is seldom that the cost of providing the service increases at the rate of inflation.

Often there is no service at all, just a licence, providing a privileged position protected from unlicensed competition. Often profit or capital components in charges such as rail freight are also escalated, thus providing windfall profits from the federal inflation tax.

The media and the plethora of price-watch tribunals and committees should turn their attention to the real profiteers in society those who use their monopoly position to extract inflating charges for inferior or nonexistent services.

Governments everywhere should also abolish all automatic linking of charges to the CPI. No one else in society can automatically increase their prices just because a government statistician gives it official respectability. Moreover, such a process becomes a systematic feedback loop triggering the next increase in the CPI, which causes the next indexation increase.

The ultimate solution, which will come when the monetary chaos becomes intolerable, is to restore sound money.

A good immediate step would be to stop the inflation profiteers by outlawing all automatic escalation of all statutory taxes, charges and prices.

It would also help if the salaries of federal politicians, Treasury officials and all government economists were reduced each year by the published CPI increase. They would quickly discover the monetary reforms needed to restore honest money.

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ISSUE No 108, May 1995

Law and Disorder

Never before have we had more laws, more law makers or more law officers, yet everywhere we see a growing lawlessness.

Not only are criminals and terrorists becoming more brazen and violent, but more ordinary folk are reacting violently to perceived injustices. Governments, who have a primary duty to provide justice, and who claim a monopoly on violence, are clearly failing in both roles.

Violence has always been with us. Every century has its wars, its despots and its criminals, but most of the organised violence in past eras was the controlled violence of one empire, nation, state, family or gang against another.

The fearful development of this century is the growth of civil violence where certain innocent classes or individuals within a society are subjected to focussed but random violence from other groups or individuals.

This century produced four masters of mayhem—Lenin, Stalin, Hitler and Chairman Mao. Together, these four hideous horsemen have murdered millions of their own citizens and carried their poisonous philosophy of violent collectivism into every corner of the world.

Modern technology has added a new dimension to this violent political activism TV terrorism—random violence against innocent victims designed solely to gain media publicity for their otherwise unremarkable causes. Children of Stalin and Hitler include the Red Brigades, Baader Meinhof and kidnapers and hijackers from anti-everything gangs all over the world.

Another product of this century of big government is violent reaction from aggrieved citizens against their own government officials and authorities.

Those who believe the bombing of a federal government building in Oklahoma is an extreme event in a distant and violent society need to look more closely. The warning signs are here too and range from graffiti, vandalism and arson against government schools and buildings to abuse, assault and assassination of politicians, judges and officials. Every one of these many incidents is evidence of someone who has been pushed too far, taxed too hard, accused of a non-crime or invaded and insulted once too often.

More laws is not the solution—it is the problem.

For example, every state of Australia harbours dozens of angry farmers nursing fierce resentment against the jackbooted officials of the multitude of statutory marketing authorities whose goals and powers could have been designed by Stalin himself. The egg boards alone have probably created their own battalion of antigovernment dissidents.

Unions are increasingly seen as the spoilt and illegitimate children of big government nannies. Their power to coerce employers and employees depends directly on government granted powers not available to any other individuals or organisations. This allows them to conscript members, inconvenience the public and stand over their opponents. Many of their victims have long memories.

Add to these malcontents, all the small businesses harassed, squeezed and often broken by gloating tax collectors. Taxes have become so complex, so onerous and at times so unjust that this department has created a silent brooding army of tax resisters. The sudden popularity of Bronwyn Bishop, immediately after she attacked the tax commissioner, shows the breadth and depth of the hatred of this department. And the blatant waste of tax funds on unworthy causes and individuals merely adds fuel to this smouldering fire.

Perhaps the most bitter regiments in the anti-government army were created by those laws, judges and officials who have created injustice in private homes and families. The worst offenders are in the anti-family and anti-discrimination departments and courts whose unjust laws, unfair decisions and incentives to family stress and breakup are never forgotten or forgiven. The growth of support groups and attacks against social workers and family law courts are clear evidence of perceived injustices. Add to this, the growing

number of Australians threatened in their own homes and castles by resumption orders, rezoning regulations and officious inspectors and intruders. The armed fightback against criminal intruders has started; the resistance to legalised burglars and home invaders is about to begin.

Most of the violence in our society can be traced back to three vicious weeds—bad laws, inadequate enforcement of good laws, and a general lack of self esteem and self discipline. Our nationalised education system has done little to eradicate these weeds and, in many cases, was the chief agent of spreading their noxious seeds.

The key problem is compulsory education. Conscription always creates a minority of objectors, and the longer they are imprisoned, the more they resent the system that holds them. When the system attempts to appease them with entertainment, soft options and every licence except the freedom to leave, the result is an increasing proportion of ill-disciplined, non-productive malcontents—more recruits for the anti-government army.

When the education system also indoctrinates the best and brightest students with a disdain for the achievements of the past, a fear of the future and a pathetic belief in centralised collectivist solutions to all of society's problems, it is no wonder that even peaceful conservative thinkers are forced to consider resisting the government juggernaut.

And they are thinking thus. A recent Gallup Poll in the US revealed that 27% of the American population (about 70 million people) are prepared to take arms against their own government. This is a greater proportion of active dissidents than originally took arms against the British overlords two hundred years ago (and the grievances are largely the same).

When this resentment against government injustice is combined with anger against government coddling of criminals it is no wonder that all politicians are distrusted and politics is becoming volatile.

Democracies have created governments that are swollen but not strong, meddlesome but not just, and more sensitive to trendy minorities than to those who obey their laws and pay their taxes.

Increasing community violence is a symptom of this problem. The solution lies in treating the cause, not in trying to suppress the symptom.

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ISSUE No 109, June 1995

Hurting the Homeless

Any farmer knows, 'A drop of honey catches more flies than a gallon of gall'. And any flat dweller knows that happiness is having heaps of smiling landlords all competing for a few choosy tenants.

Nevertheless, those supposed to be helping residential tenants have spent the last couple of decades driving landlords out of the industry with gallons of gall.

I was once a landlord and owned five properties generally rented to students in the St Lucia area in Brisbane. First I got hassled by the City Council Flat Registrar and his inspectors who sent me bills for inspections neither I nor my tenants needed. Then the federal government decided to assault landlords with capital gains tax and fiddles with what they call 'negative gearing'. Then a National Party Minister, Paul Clauson, threw the last bucket of gall with the imposition of his monument to stupidity, the Rental Bond Board. The major achievement of every government bond board has been to seize millions of dollars out of the rental industry, expropriate the interest earned on it, and use it to build interfering bureaucratic empires.

I and many other landlords chose to go elsewhere, thanks. Judy and I sold the lot and bought a farm. The return on investment is still abysmal but the only bureaucrats who hassle us now are the Bureau of Statistics. And each year we listen sadly to stories of the shortage of rental accommodation for the new crop of students.

For years bureaucrats and politicians of all parties have been bashing landlords.

When I sold my rental properties in St Lucia, they were bought by a developer who wanted to build high density villas. It took a

year for them to get approval past the local dragon lady from the Liberal Party whose goal was to ensure she maximised the cost of and delay to the development. She and her ilk in city hall were successful. The developer went broke and my previously productive rental properties remained a derelict hole beside Swann Road for several years.

And just in case there are a few brave landlords still in business, the Federal Minister for Meddling, Brian Howe, recently announced a campaign for ‘a tough new national code of minimum standards for residential leases’. His code contains 138 Clauses, most of which restrict the freedom of landlords to control their business and protect the value of their investment. Thanks Brian, I’ll stick with the stock market, the farm and the cash management trusts.

No amount of laws or regulations will convert profit seeking landlords into selfless public benefactors. High quality low cost rental accommodation will only develop when investors see it as a profitable, risk-free, hassle-free business.

Investors are like lemmings. They always chase what they see as low risk and high return. Those who wish to help tenants should do whatever is possible to convince landlords the risk/return profile of the rental industry is better than anywhere else. This will never be achieved until political opportunists stop taking pot shots at already nervous landlords.

Once, the ambition of most battlers was to become landlords, with a couple of rented houses to help them through retirement.

This wholesome and productive goal is largely blighted by the disincentives of the welfare state and the attacks of those social dinosaurs still sprouting the language of class warfare. Who would become an ugly landlord when it is more acceptable, and more profitable, to be ‘socially disadvantaged’, and get a government pension and rent assistance to live forever in public housing.

So biased and unfair are most residential tenancy laws and regulations it is a wonder some landlord hasn’t asked the Antidiscrimination Commissar to strike them down. For example, Mr Howe’s proposed new code would force landlords to give at least three months notice of termination whereas tenants cannot be asked for more than two weeks rent in advance.

Judy and I were in the rental business for over 20 years. Many of our tenants stayed for years and became friends. Only one lot had to be evicted for destroying the property and annoying the neighbours, and only one lot skipped owing money. Seldom did we

retain anything from the bond money. Never did we or our tenants need bureaucrats to check for leaky taps or anything else.

We were very discriminating in choosing our tenants, and we believe they were just as choosy about the rent, the property and the landlord (in that order).

Mr Howe and his ilk assume that all tenants are stupid, and need his protection and all landlords must be forced to act as if they were stupid. Their laws are so biased that landlords feel they have completely lost control of their properties.

The three levels of government each have a specific but very limited role in the rental business.

Firstly, local government should ensure that no property or business poses a health hazard or nuisance to its neighbours. Nor should it pollute its neighbour's property with dust, noise, light or any other unwanted intrusion without agreement or compensation. This is all local government should do. There is no need for licences, regular inspections or annual fees—just act promptly and firmly on just complaints.

Secondly, the state government must protect property rights and enforce contracts. It is no accident that the Empire grew rich and powerful on the slogan 'An Englishman's home is his castle'. A strong nation is composed of millions of strong, independent, self sufficient people. It is destroyed by the Council Flat mentality. State governments need to protect the right of every landowner to buy, sell, renovate, rebuild or rent his property on whatever terms he chooses. No matter whether it is a mansion in Clayfield or a caravan on a battler's block at Tara, it should be the owner, and no one else, who sets the rules on its use.

Moreover, the state should have no rules whatsoever on what conditions are in a rental or sale contract. No rent control, no rules on bonds, complete freedom for both landlords and tenants to be discriminating in their choice of business associates, and no uniform rules on anything. Their only role is to act if someone complains of fraud, deception or breach of contract. And both landlords and tenants should be able to get quick justice from the Small Claims Court.

Thirdly, what is left for the Minister for Meddling from Canberra? One role only. Make sure no foreign invader seizes our homes. Look after defence, Mr Howe, and nothing else.

The greatest friend of every tenant is an eager landlord with a vacant flat.

Every law which reduces the number of landlords or vacant flats is detrimental to their interest.

The carrot is mightier than the stick. More honey and less gall will do the trick.

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ISSUE No 110, July 1995

Unfair Business

Recently, in Canberra, Senator Schacht, the Minister for Small Business, arranged a meeting of 23 small business reps and one banker. Senator Schacht, dressed in a Santa Claus suit, moved that the meeting support a motion against 'the misuse of market power and unconscionable conduct'. The motion was carried 23 to 1. It was like having a wolf ask 23 foxes and one fat lamb to vote on what to have for dinner.

Should this stupid proposal become a stupid law, no small business will get a bank loan without paying a premium for the risk that they will run home to Nanny Schacht crying 'unfair' should their business fail.

Stupid or unscrupulous politicians have discovered the vote winning potential in all sorts of 'unfair' practices—unfair dismissal, unfair contracts, unfair conduct. Like every economic intervention by government, any attempt to 'help' those complaining about unfair treatment will actually harm those it intends to help.

Only two methods have ever been discovered for organising the affairs of men—the command society and the contract society.

The command society is illustrated by the operations of the army, the police, the postal service and public education. In the command society, decisions on goals are made by elected or appointed central authorities. These policies are translated into plans by a professional cadre of planners and administrators. At the delivery end, all decisions must conform to detailed rules, regulations and policy manuals which attempt to anticipate every eventuality. The system is called 'Bureaucratic Management'.

This system works well where there is a very narrow, well defined and well understood goal, for example in the army.

Here the goal is the concentrated application of sustained violence.

Such a goal requires the maximum coordination of all individuals in a rigid hierarchy. Because some individuals may be deliberately sacrificed for the common good, there can be no room for debate during a battle. Thus the mayor military sin is 'Disobeying a lawful command'.

History has shown, however, that the command system does not work for the economy as a whole. It could only work if directed by incorruptible people with the wisdom of Solomon. (Such a person hasn't been born yet and his parents are dead.)

The command economy is enormously inefficient because it utilises only that small fraction of knowledge possessed by the planners. It discourages new ways of doing things and was accurately described by Milton Friedman as 'The Tyranny of the Status Quo'.

Societies which use Bureaucratic Management of their economies invariably end up with poverty, black markets, widespread corruption, recurring famines and gluts, and legalised monopolies. Command societies can outperform contract societies in any single goal (ie military strength, Olympic Medals, or men on the moon) but it can never deliver the maximum satisfaction for all.

The contract society is a totally different animal. It is seen in the flea market and the stock market, in the Salvation Army and the Metropolitan Security Service, in banks and pawn shops, in choral societies and massage parlours.

It is a diverse society which functions by way of a complex web of voluntary contacts and promises, some formal, some informal. The economy is controlled by millions of consumers, who vote with their dollars every day in the market, and a similar number of producers who compete every day with their products and services. Markets and middlemen arise spontaneously in order to move the product—they profit by clearing gluts and relieving famines. The primary welfare unit is the family and every family must contain at least one producer. Voluntary charity organisations able to distinguish between the lazy and the needy care for those families truly unable to support themselves.

The contract society is self regulating. It is sufficiently predictable in the short term to allow individuals to plan their futures. At the same time, it is sufficiently flexible in the long term that it can take account of changes in supply, demand, price or technology. Market power depends on attracting and retaining a large body of clients and customers by offering goods and services of

such quality, price or convenience that no other supplier is willing or able to compete with them.

The primary rule of the command society is 'If you don't obey, you don't eat'. In the contract society the rule is 'If you don't work, you don't eat'. In the contract society the ultimate sanction is the bailiff. Behind every command society stands the guillotine, the firing squad, the ice pick, the gallows and the padded cell.

There are no basic rules in a command society except 'Might is right'. It can be found in dictatorships, peoples' republics and in democracies with weak constitutions. The Bureaucratic State is just an under-developed Command Society.

Two things must be given unconditional protection in a contract economy—property and contracts.

These two things are always under threat in a democracy, where, to win votes, all parties end up offering bribes and promises which can only be delivered by seizing property or breaching contracts.

The greatest modern day threat is the attempt to define and dictate what is a 'fair' contract. What is fair can only be determined by the two parties to the contract at the time it is agreed. No third party can determine 'fairness'. Every contract is an expression of two value judgments. It is a clear statement of the fact that, at the time the contract was signed, it was the best option available to both parties.

The contract society is hated by puritans, dogooders, intellectuals and Big Brother because it produces results that do not accord with their value judgments. It pays pop stars more than professors, it produces loan sharks and prostitutes, it is equally happy to deal in dresses and drugs, follies and liquor, cornflakes and contraband, gold and guns. And if officials have privileges or protection to sell, they will soon find someone prepared to buy.

The rules of contract were not drafted in any parliament—they evolved in caravans of merchants, trade fairs and village markets all over the world. They are distilled into three rules which every mother should teach her children—don't steal, don't tell lies and keep your promises.

It is the role of mothers, Kings and Nanny Schacht to ensure these rules are obeyed. No matter what stupidities are enacted in Parliament, no civilised economic society can exist without widespread acceptance of these three commandments.

The function of government is justice, not 'fairness'. Government should not attempt to administer the affairs of men—

its job is to administer justice among men who administer their own affairs.

Common Sense

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Thomas Paine

ISSUE No 111, August 1995

Our Sacred Land

Popular wisdom says the ALP nearly lost the Queensland election because they were insufficiently 'green'. Maybe the reverse is closer to the truth. At long last, people are becoming sick of politicians who pander to hysterical minorities. The turning point for me was when the ALP offered Cape York in a bid for green votes. No matter how hopeless the alternative might be, I could not vote for vandalism on such a scale.

There is a view that land is sacred only to aboriginals, koalas and native vegetation. However, the territorial instinct in man is a fundamental social force that takes no notice of race, history, social justice, environmental busybodies or pandering politicians. From the grandest mansion to the shingle shed, every owner believes 'This is my castle—keep out'.

John Locke said in 1690 'The reason why men enter into society is the preservation and protection of their property'. Even the rabble in the French National Assembly of 1789 said 'The right to property being inviolable and sacred, no one ought to be deprived of it ...'.

Today however, we have the situation described by Mark Twain 'No man's life, liberty or property is safe while parliament is sitting'.

This cavalier attitude to property was taken to its logical extremity and given philosophical respectability by Marx and Engels who wrote in 1848 'The theory of communism may be summed up in one sentence: abolish all private property'.

Statues of Marx and Lenin may be crashing down throughout the comrade societies, but their virulent viruses are merely spreading to new hosts in the gullible democracies.

The current carriers of the communal virus are the environmental, land rights and planning movements. Under the banner of 'Save our Sacred Land', they have threatened the land rights of every one of us.

This emerging coalition of threatened landowners was a significant factor in the Goss backlash.

The blatant racial bias of government policy towards landowners was illustrated recently when a proposed freeway route was changed because it would have disturbed a recently discovered aboriginal sacred site. (Funny how sacred sites and endangered species seem to spring up wherever new developments are planned.) The new road route would force the resumption and destruction of some twenty additional houses, but this did not disturb the Neros in George Street. One young home-owner remarked wistfully 'I can understand that aboriginals care about their sacred sites, but this my home. Isn't it sacred also?'

Those threatened with home invasion by freeways and power lines have become a significant group of dissidents prepared to bite any exposed political ankle. Four ankles were savaged in the recent election.

And the contradictions and lack of security inherent in government mineral, land and native titles has created a four-way war between miners, landowners, aboriginals and bureaucrats. More dissidents looking for ankles to bite.

Government busybodies have also terrified every farmer in the state with their tree clearing 'guidelines'. A government 'guideline' involves as much co-operative spirit as would a suggestion from Stalin. This policy is particularly insulting because older members among the farming fraternity can remember when government land commissars inspected leasehold land regularly to ensure land clearing obligations had been fully complied with.

Farmers have been in a state of quiet alarm for five years since an earlier Environment Minister, Pat Comben, went on a land stealing spree for national parks and announced he had 'no plans to introduce tree clearing legislation'. Nothing is more certain than something that has been officially denied. Dozers sprang into action all over Queensland as farmers raced to beat the feared legislation and/or make their land unattractive to nationalised parks. (With a particularly attractive piece of bushland adjacent to a National Park at Fernvale I felt particularly threatened, and sold out. I now own a treeless block, and feel much safer.)

These misguided policies have, perversely, caused the greatest destruction of trees Queensland has ever seen (apart from the government sponsored brigalow destruction scheme of the 1960's).

But even my treeless block is not safe from government busybodies. 'Soil erosion' is their new excuse for intervention. Learned articles from salaried, superannuated, city based experts come out at the rate of one a month warning how farmers are degrading the land.

Maybe they should have studied geology at school instead of central planning or sociology. Farmers did not invent erosion—the greatest erosion gully in the world (the Grand Canyon) was there eons before long-horns roamed Texas and Arizona. The Indians called the Mississippi 'the River of Mud', and early American pioneers were terrified by the huge dust storms on the western plains.

Australia shows evidence of erosion so vast that thousands of square kilometres were covered in deep layers of river-bedded sand and gravel. Aborigines and their bushfires remade the face of Australia long before a cloven hoof touched the soil.

Droughts, floods, fires, volcanoes and ice ages have been 'degrading' every bit of land long before us puny humans achieved the ability to modify the harsh landscape to better suit our survival needs.

In many areas, man's activities have stabilised the land with a carefully husbanded cover of valuable vegetation. But nothing stands still, despite the yearnings of the greenies to freeze our land, plants and animals in a still-life picture from the past.

There is no doubt that leasehold land policies drought subsidies, heavy taxation and a run of drought years has put a severe strain on farmers and their land. But those who cry 'degradation have only one solution—'more government control'.

Nowhere in the world has this solution worked. Poor government policies have degraded more land than poor farming policies. Government ownership and control of land is everywhere associated with poverty, pollution and degradation. Secure long-term land tenure, no drought subsidies and low taxation will restore our ravaged lands.

The planning and taxing department of the ALP's super-councils has added another group of concerned landowners to their growing list of enemies. Suddenly, peaceful rural shires were taken over by concerned urban busybodies looking for more money for their grand plans.

Then, as an election coup d'etat, there was the Cape York alienation. What sort of society have we become when, at the stroke of a pen, an arrogant politician can seize land held and worked for two or three generations just to satisfy the insatiable demands of electoral blackmailers.

The ALP backlash was fuelled by concerned landowners. Every threatened farmer has friends or relations in town. Thousands more sympathise with the tearful old lady on TV about to be uprooted by the government freeway.

Every man's property is sacred in his eyes and he will fight to protect it. Only the stupid and the obsessed will protect a long abandoned and forgotten aboriginal rubbish heap while condoning the seizure of third generation rural kingdoms and occupied suburban homes.

Such action is oppressive and will be resisted.

Common Sense

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ISSUE No 112, September 1995

One Way Street—Turn Back

Once upon a time a band of pioneers from the island of John Bull set up a colony in the lucky land of OZ. It was a long way from civilisation, so they chose for their first settlement one of the best harbours in the world.

'If we are to prosper' they said, 'we must be able to exchange our gold, timber, butter and wool for tools, machinery and textiles from the factories of John Bull. We need sheltered harbours, fast ships and all-weather roads so we can get our goods as cheaply as anyone else in the world.'

So for 113 years the builders of Oz set out to reduce the obstacles to transport and trade. The sailing time from John Bull to the harbours of Oz was reduced from months to weeks. The winding bridle tracks of the early prospectors became the busy roads of Cobb and Co. The stock routes were filled with mobs of dusty cattle moving down to world markets. Bullock teams hauling bales of wool met the first imported steam traction engines moving out to the wheat farms. Coal and iron were discovered and the first local steel was produced. Factories sprang up based on cheap raw materials, cheap imported machinery, close local markets and the technical skills of the many immigrants. Men of world vision dug international canals and planned transcontinental railways. Dreamers talked of aeroplanes and airships which would reduce even further the obstacles to transport and trade.

Too much abundance?

But there came an academic to the land of Oz.

'These cheap imports will ruin us,' he said. 'It is good to sell our surplus to the foreigners, but we must prevent them from

flooding our markets with their cheap products. We must impose tariffs and quotas on all imports so our infant factories can compete.'

The simple people of OZ found it hard to understand the 'threat' posed by an abundance of cheap goods.

'Why should we exchange 30 weeks of work or 30 bullocks for a car made by an American in Victoria when we can get a similar car from Japan for only 20 weeks of work or 20 bullocks?' they said. 'Surely wealth consists in having more goods not less?'

But the new official paid to obstruct trade was adamant. 'My orders are that you may barter with the American in Victoria if you wish, but you may not trade with the gentleman from Japan.'

Mine the harbours, sink the ships

Now there was also a thinker among the farmers of Oz. He was a slow fellow whose long years of struggle with the obstacles of nature gave him a simplistic view of life.

He observed—'For over a century we have worked to remove the natural obstacles to trade. We have dredged harbours, built bridges, filled swamps, blasted mountains and cleared scrub just to enable cheap goods to be delivered quickly to our front gates. Now they want us to pay customs obstructors to replace all those natural obstacles with artificial obstacles. They are, in effect, telling us to mine the harbours, sink the ships and tear up the roads'.

'Oh no,' said the learned academic, on his weekly appearance on the ABC. 'We don't want to obstruct all trade. Exports are good. It is only imports we must stop.'

'Well, we don't need to pay a horde of hungry officials to do that', said the bush economist. 'If the principle is good why stop at half measures? Let us erect a sign on every road and railway, and outside every harbour which says:

'ONE WAY STREET. NO IMPORTS ALLOWED. TURN BACK.'

This suggestion was a dire threat to the jobs of the trade obstructors who immediately went on strike. But they were unpopular fellows, and they were left on strike. The 'NO ENTRY' signs were erected at every gateway to the land of Oz.

The short spurt ...

Suddenly there was a demand for manufactured goods of all kinds. Factories were built and expanded in great haste. Wages rose and

rough country lads with thick fingers drifted down into city factories assembling transistor radios. But they soon ran out of transistors. Housewives went to work in textile factories and did piecework sewing at home. But their machines broke down and there were no spare parts. Tractors were built by public employees in the railway workshops, but their price doubled and there was a two year waiting list of buyers.

The cost of tools and machinery rose sharply and shortages became acute. Profits of the old industries fell. Men were put off.

.... and the long decline

With the sudden cessation of imports, the balance of payments became very healthy and the exchange rate rose. It became increasingly hard for foreigners to trade with Oz. They could not afford to buy the Oz dollar and they were not allowed to barter their surplus supplies for Oz goods. Foreign investment dried up.

The export trade dwindled alarmingly but the Oz currency became still more expensive for no foreigners could get it. No Oz money was being spent overseas so there was none to be had at any price. Mines began to close and farms were abandoned. The local demand for factory goods for the export industries disappeared. Ships rusted in the great harbours of Oz. Mines closed and farm boys went home to cut burrs. Swagmen once again tramped the lonely roads of Oz.

And the learned academic who started it all got a well paid position as adviser to the Royal Commission set up to enquire into the economic crisis in Oz.

Historical Note:

‘Oz’, now known as ‘Oztralia’, was settled in 1788 and federated in 1901. The 113 years up to federation were marked by tremendous growth in wealth, trade and population. Victoria’s contribution to the Federation was the idea of tariffs which has burdened the rest of the Commonwealth ever since.

The Moral of the Story:

‘Exports are impossible without imports and vice versa. Every restriction on one is automatically a restriction of the other. Every wealthy society has an abundance of cheap imports financed by a flood of exports. If either are restricted, that society will decline to the local subsistence level.’

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ISSUE No 113, September 1995

The Tax Collection Industry

Taxes and armies are like the chicken and the egg—you can't have one without the other, and no one can say which came first. Big armies demand big taxes to support them; big taxes need big armies to collect them.

This is well illustrated by the history of the Commonwealth. The chief justification for federation was defence, and federal income tax was introduced in 1942 as a temporary war time measure to support our real army.

They say the pen is mightier than the sword. Just as well. The army that fought in Tobruk, Normanby, Burma, Singapore and Kokoda has almost withered away and has been replaced by an army of pen pushers.

One of the biggest divisions in Canberra's modern army is the ATO division of 18,000 whose job is to collect income tax. (This ATO army is nearly 3 times larger than the army of William the Conqueror which defeated the English at Hastings in the biggest battle on English soil for the last two thousand years.)

There are three distinct political eras in recent Australian history.

First came the 'Honest Era', up to about 1970, and before the massive growth of the tax/welfare cancer. During the Honest Era, both paying taxes and working were seen as necessary obligations by most Australians.

Then came the 'Irresponsible Era', from 1970 to 1990. Two developments highlighted this era. Firstly, poorly designed tax laws and lax administration of them made paying tax optional for a growing minority of taxpayers. Secondly, a massive expansion of

welfare entitlements and lax administration of the rules made working optional for another sub-culture of Australian society.

They complain about a lack of entrepreneurial spirit in Australia. By the time the bosses had worked out how to dodge tax and the workers and kids had devised a scheme to rip off social security, most of the risk taking and entrepreneurial spirit had been exhausted.

Since 1990, we have been living in the 'Era of Painful Consequences'. First to feel the pain were taxpayers, with a rash of tax reform, new taxes, tax audits and an explosion of tax laws and regulations. (Yet to come, before the Era of Painful Consequences is over, is a similar crackdown on the welfare industry, followed by an attack on the red tape army.)

The first rule of government is 'Anything worth doing is worth over-doing'. This has been the guiding principle of the tax reform frenzy of the 1990's.

The sausage machine churned out an unprecedented volume of tax trivia. Parliamentary bills, regulations, departmental rulings (both draft and final), court determinations, political promises and government-by-press-release on negative gearing, tax losses, assets tests, child support, super tax, training tax, mining tax, resource rent tax, fringe benefits tax, prescribed payments tax, capital gains tax, provisional tax more than 6,000 pages of gibberish in 1994 alone. One sentence in Tax Law Amendment Bill No 4 has been submitted to the Guinness Book of Records for complex sentences—it takes 970 words filling four pages of the bill to define 'eligible pre-existing offer'.

The cost of tax collection and compliance has become unbearable. Tax accountants and tax official have to read 25 pages of turgid tax law every working day just to keep up to date. Is it any wonder that an efficiency audit of the ATO itself showed that 31% of the answers they gave to questions from the public were either partly or totally wrong? In addition, 44% of taxpayers abandoned their telephone queries to the tax office because of the delays incurred.

Australia is now bogged down by an army of accountants, tax agents, computer programmers, lawyers and auditors all occupied in ensuring we comply with the tax laws. In 1989, the Queensland President of the Australian Society of Accountants estimated that the cost of tax accounting alone was \$2 billion per year.

Faced with rapidly rising real cost of assessing tax returns, the ATO hit on a great new scheme to hide the real cost—self assessment. Under this system taxpayers calculate their own tax, take full responsibility for all errors and misinterpretation and send the cheque.

(Imagine the outcry if SEQEB, in a cost cutting measure, said that electricity consumers had to read their own meters, determine the appropriate tariff, work out the charges, prepare their own invoices, and send them to SEQEB with cheque attached.)

Another cost cutting innovation was ‘Tax Pack’ which was supposed to reduce the need for taxpayers to go to tax agents to get their returns done. The latest version, with a print run of millions, was 100 pages with about as much clarity and excitement as the Government Gazette. I have never read a ‘Tax Pack’—I always seem to have more exciting things to do such as going to the dentist, cleaning the septic and filling out the ABS farm census. Moreover, even the Commonwealth Ombudsman says that Tax Pack contains more than 20 serious errors and ambiguities. Its chief result was to send more Australians than ever to their tax agent.

Australia has a fixation with compliance at all costs—a preoccupation with enforcing rigid obedience to millions of petty and often incomprehensible rules—all enforced by a Tax Office which, in 1992, admitted it could not calculate its own FBT properly, had inaccurate records of business taxpayers, and had no proper register of its own assets!

Australian businesses spend up to 11 times more on direct tax compliance than even British companies. Complying with the Tax Audit of the top 100 companies cost one company alone \$500,000.

In a bit of poetic justice the Liberal and Labor Parties both complained about the cost of preparing their own annual financial return—the cost for the 1993 return alone was about \$185,000 for each party.

The collection and compliance cost of many of our taxes suggest they should be abolished immediately. For example, for 90% of companies liable to pay FBT, their administrative costs represent 42% of the tax collected. For 96% of companies submitting income tax returns, it costs the companies more in compliance costs than they paid in taxes—for all companies, an average of 23% of the tax collected was spent on tax accounting and compliance. After that the ATO has to support its army of 18,000 before any of the looted

tax gets to supporting our real army of 26,000 soldiers (many of whom are clerks, stewards, cooks, musicians and storemen).

All of this enormous cost in tax regulation, collection and compliance provides nothing of real value for any Australian—no defence, no schools, no real goods or services, nothing that could be sold at a profit in any market anywhere.

We are on the road to tax-induced poverty. No amount of tax summits, rewriting, self assessment or tax packs will solve the problem. What is needed is a massive repeal of many inefficient taxes and a vast simplification of the rest—flat rates, no exceptions, no special allowances for anyone.

We can then disband the ATO standing army and send the tax troops home to get a real job.

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ISSUE No 114, October 1995

Time to Abandon the Karl Marx Tax

In the Communist Manifesto of 1848, Karl Marx described progressive tax as 'an integral part of the communist aim of abolishing private property, the family and all rights of inheritance in order to enable the takeover by the state of the means of production and distribution of goods'.

The stone statues of Marx are being torn down all over the world but much of his legislative legacy remains. The most malignant Marxist monument is progressive taxation. This essential plank of communism has delivered Marx's promise—it has helped to destroy the family and has transferred power into the hands of the bureaucracy and its tax-consuming constituency. It has also created the tax avoidance industry and been the chief cause of our enormously complicated, costly and inefficient tax shambles (it could not be truthfully described as a tax system).

Every income tax 'reform', every useless tax talkfest, and every tax manifesto of the last thirty years has promised to fix the problems generated by high rates of progressive taxation—bracket creep, tax indexation, income splitting, welfare traps, penalisation of the productive, clever tax schemes, negative gearing, capital gains capers, increasing average tax rates, arbitrary and ever changing tax brackets, costly and complicated tax compliance and collection, unemployment and a lack of savings and investment.

Surely it is time to stop trying to hide the symptoms? Let's get to the cause and abolish progressive income tax. Governments

should be forced to live on a flat tax of no more than 20% of anyone's income.

Proportional tax is not a revolutionary new idea. In the Book of Genesis we read that in the time of Joseph there was a terrible drought in Egypt and famine stalked the land. The people spent their silver and sold their herds just to buy bread. They then had nothing except the dry land, and no money for seed (sounds a lot like Queensland today). So Joseph set up a rural adjustment scheme and offered to supply seed from the Pharaoh's granaries in return for title to their land. But he didn't turn the land into a World Heritage Park. The people were allowed to remain working the land on one condition—one fifth of the harvest went to the Pharaoh. Joseph was so pleased with the result that he made the 20% flat tax a law over the whole of Egypt and his people 'had possessions and grew and multiplied exceedingly'.

Progressive tax is the taxation of the industrious, by the envious, on behalf of the indolent. In a moment of rare candour President Clinton expressed the secret dream of progressive everywhere—'I am open on the details, but what I want is a tax system where 75% of the burden falls on the top 6% of the American people'. Such a statement reveals his abysmal ignorance, as well as his towering envy.

In every country of the world, the bulk of the taxes must always be paid by the bulk of the people. There are just not enough rich people to satisfy the gluttonous appetite of modern governments. For example, in Australia the bottom 94% of taxpayers who earn up to \$50,000 per year produce 73% of the tax revenue. Those in the top 6% already pay about 32% of their income in tax. Even if the Clintonites took 100% of their income, it would not keep the public service in the manner to which it has become accustomed. And, faced with 100% tax rate, or anything near it, the 6% are certainly smart enough to quickly arrange to get out of the penalised class, or out of the country. Taxable income would collapse from the top down.

This is but an extreme example of the problems of progressive tax—once the tax brackets are defined, taxpayers are clever at re-arranging their family or business affairs to get out of the penalised classes and into the favoured classes.

The biggest problem of all is caused by the sacred cow of tax law—the tax-free threshold. Isn't it amazing that 11% of taxpayers manage to get their income below the tax threshold, and thus pay no tax at all?

Over half of these so called ‘low income’ people have investment, interest or property income—they are often wives or children of those smart enough to rearrange their financial affairs to benefit from a stupid law. Even more amazing is the number of people who don’t lodge tax returns. According to the ABS, there are between 12 and 13 million people in Australia receiving income. Only 10 million lodge tax returns and less than 8 million pay tax—about 4 million people receive income and pay no tax. Such large scale avoidance and evasion is a nation scandal. (I want an end to tax evasion or a bigger share of it.)

We thus have a large number of taxpayers with low incomes paying no tax at all and a small number of taxpayers with high incomes already paying out one third in tax. The first lesson every Treasurer learns about Australia’s tax machine is that the middle income earners always pay the bulk of the taxes. As Dick Tanner, the Messiah of Flat Tax in Australia, observed,—‘Treasurers soon learn that as long as you belt those earning between \$20,000 and \$60,000 it doesn’t matter what you do to those at the top or the bottom.’

The Chief Tax Collector has already allowed prostitutes a 20% flat rate tax. As another great tax crusader, John McRobert, says ‘a 20% flat tax on horizontal activities brings a new dimension to the concept of a level playing field’. In 1990, seasonal fruit pickers won a 15% flat tax. Such is the lightning speed of tax reform, it took only 5 more years of discussion and submission for the 15% flat tax virus to spread to shearers.

Maybe, before the end of the millennium, the government will rediscover the just, simple and productive tax of the Pharaohs—just 20% of everyone’s income for the government and 80% ‘shall be your own, for seed for the fields, for food for you and your little ones, and for your households’.

A perceptive observation, by the 18th century British economist McDougall, goes to the heart of the problem of progressive tax. It should be carved in the top of every Treasurer’s desk -

The moment you abandon the cardinal principle of exacting from all individuals the same proportion of their income you are at sea without a rudder or compass and there is no amount of injustice and folly you may not commit.

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ISSUE No 115, October 1995

Mining in Queensland, Past, Present and Future

I understand I'm to give you an idea of the future of mining in Queensland.

Anyone who hopes to understand the future needs to understand both the past and the present.

The past which is relevant to mining starts about 500 million years ago when the ancient rocks of the Mount Isa area were formed. This area is one of the greatest base metal provinces in the world. It contains a Persian Gulf of metal riches—copper, silver, lead, zinc, uranium, rare earths, gold, cobalt, phosphate and sulphur.

Much wealth has already been produced from these ancient rocks. Much more remains for those with the intelligence and energy to discover and extract it, and the strength to hold and defend what they find.

The next great geological event happened about 300 million years ago with the explosive growth of the great forests of the Carboniferous era. That event produced Queensland's greatest asset—the coking coal of the Bowen Basin. How we handle this great asset will, more than anything else, determine the prosperity and security of future generations of Queenslanders.

A second era of forests spread over Queensland about 200 million years ago. These forests supported the dinosaurs and produced the huge thermal coal deposits of the Surat and Moreton Basins. They will produce light, warmth and power for many future generations of humans.

About 50 million years ago came the era of the teeming seas. Sea levels rose and fell and marine life was prolific. The oil and gas resources of the Cooper Basin and the enormous oil shale resources of Central Queensland owe their existence to organic material that fell to the bottom of these ancient seas.

Geological history, and human history, consist of long periods of stability, punctuated by abrupt disruptions (which are usually unexpected, and often catastrophic). The old orders are swept away and a completely new era commences.

On the geological map of Queensland, each of the blobs of red or purple along the backbone of the state represent the memorial stones of past geological revolutions—volcanic eruptions, igneous intrusions, earthquakes and faults.

Many of these intrusions brought metal riches with them—tin and wolfram on the Tablelands, copper at Mt Morgan, Stanthorpe Tin, Anakie sapphires, and the many gold deposits from the Palmer River and Charters Towers in the North, to Gympie and Talgai in the South.

In recent geological history (the last million years or so) the persistent processes of surface oxidation, surface enrichment erosion and deposition have created deposits such as the fabulous aluminium laterites of Weipa, the nickel laterites of Greenvale and Marlborough, the mineral sand deposits along the coast and the alluvial gold and tin deposits.

So this is the raw material which our geological history has provided for the mining industry:

- The base metals of Carpentaria.
- Coking coal of the Bowen Basin.
- Thermal coal of the Surat and Moreton Basins.
- Oil, gas and oil shale resources.
- Gold, tin, wolfram, molybdenum and other metals
- Weipa bauxite.
- Mineral sands, gravel.

Man's history started but a few seconds ago on the geological time scale. For ages men lived a precarious existence as hunters and gatherers. They hunted with bows and spears and dug roots with sharpened sticks. Then they discovered how to use minerals to produce tools—starting with stone axes and knives, then metal coins to facilitate trade, copper utensils, bronze swords, lead pipes, tin cans, steel ploughs, alloy engines, tungsten armaments, titanium rockets, atom bombs and nuclear power plants.

The miners and prospectors have shaped the face of Queensland. The location and existence of many of our towns, railways and roads was determined by our prospectors and explorers.

Let's look at a bit of economic history.

On every continent, mining and agriculture are the primary generators of new wealth. All other industries merely transport, process, trade, consume, regulate or tax the real products of these primary industries.

This is well illustrated by the economic history of Australia. Back in the 1860's mining and agriculture supplied 90% of our export income (50% mining, 40% rural). Gold and wool supported the nation. It was the land of gold and the golden fleece. As our early gold and copper mines were slowly exhausted by rising costs and falling reserves, mining's share of exports fell to its low of 5% in the hungry 1920's. But agriculture stepped in to fill the void and supplied 75% of our export income.

Today our rural industries are weakened by drought, greenies, taxes and government marketing boards. Mining is again shouldering the load and generating close to 50% of our export income, with agriculture about 20%. The unchanging reality is this—for all of our history, mining and agriculture have provided at least 60% of our export income. Generally, depression in one has been balanced by prosperity in the other. Heaven help us if both fall out of bed together.

Let's look at mining in Queensland today. Mining today produces 44% of Queensland exports and its production is worth \$5.6 billion. The value of coal exports alone is worth more than the combined value of the big four rural exports meat, sugar, cereals and wool.

Queensland's big mineral products are-

Coal	63%
Copper	11%
Gold	8%
Bauxite	4%
Lead, Zinc	5%
Oil, Gas	5%
Titanium	2%
Other	2%
Total	\$5.6 billion

Queensland is Australia's treasure house for many minerals.

The big mining producers in Queensland are -

Coal	BHP CRA ARCO QCT MIM Shell
Copper/Lead/Zinc	MIM
Bauxite	Comalco
Gold	Kidson Mt Leyshon Battle Mountain
Oil & Gas	Santos
Magnesite	Qld Magnesia
Titanium	Consolidated Rutile

Of course we must not forget the government stake in mining. When you calculate the government take of every dollar earned from mining, it becomes clear that governments run the biggest and most profitable extractive industry in the land.

That completes our survey of the past and the present. We have a huge state which has proven prospective for world class mineral deposits of many types. We also lead the world in many areas of exploration, mining technology, mine contracting, mineral processing and computer applications.

What about the future?

Mining and agriculture will remain the bedrock competitive industries for Queensland. They will provide the export income and act as the base-load milch cows for all levels of government.

Where is the growth to come from? It is said, if you want to hunt elephants, you should go to elephant country. This is particularly pertinent to mining. Our existing industry shows where we have a competitive edge in geology, technology and transport economics—coal, base metals, gold, aluminium, magnesium, oil and gas and all the secondary and tertiary industries dependent on them. These will also loom large in our future.

Right now two sectors of Queensland mining are in a growth mood—coal and base metals.

At least 10 new coal mine developments are being studied intensely right now and as many as 5 new mines could be developed in the next 5 years.

The base metal excitement is in Carpentaria where at least 5 significant new developments are being studied.

Queensland also has enormous undeveloped resources of rock phosphate, oil shale and thermal coal. In addition, we have locked away untold mineral riches in parks, heritage areas, army training grounds and wilderness areas, and we have no idea of the oil and gas which probably lies hidden on the continental shelf off the coast.

Mining Issues

What are the political issues for mining?

- Access to Land
 - ☐ No-go zones
 - ☐ Security of tenure
- Development Obstacles
 - ☐ Environmental overkill
 - ☐ Too many approvals
- Imposed Costs
 - ☐ Taxes and Royalties
 - ☐ Government Monopolies
 - ☐ Tariffs
 - ☐ Exchange rates
- Labour Cost and Efficiency

Defence aspects of mining

Mining and farming have four features very relevant to defence:

- 1 They control huge resources of land and mineral wealth much of which is grossly undeveloped. These resources are defended by a handful of arrogant, pampered, unpopular Europeans living around the coast of an isolated island off the teeming continent of Asia. Far too many of them are on the beach, at the pub or on welfare. Every foreign tourist, every exchange student and every overseas technical mission sees both our wealth and our weakness.

Idle undefended resources are always a magnet for the hungry hordes. Today they come with cameras and observe with astonishment. One day, they will come back with guns. We can only hope we can stop them with an environmental impact statement or a world heritage order. I fear that is about all we'll have.

2. Miners and farmers are the great decentralisers. They cannot choose to live on the Gold Coast or at King's Cross. They must go to where the best minerals, the best soils and the best pastures are found. They are the only ones with a real hold on most of this vast continent.
3. Miners and farmers represent a substantial hidden militia. They are generally practical, independent people with useful versatile machinery, skills and equipment for outback communication and rugged vehicles. Every farmer and many miners have a heap of weapons in the wardrobe and can use them. Together, miners and farmers could muster more decentralised forces than the army and the police forces put together. They will defend their land should the need arise.
4. Mining and farming are international industries which depend on world trade. Anything which threatens the security of the world seaborne shipping trade will threaten our industry. A blockade of just a handful of ports would quickly wipe out half of Australia's export income. (I'm disappointed to notice there are no naval officers at this seminar. I hope we still have a navy?)

Government policy and mining

What can governments best do to help mining? Get the hell out of the way. Reduce taxes and repeal about half the laws and regulations (and it probably doesn't matter which half). Stop changing the laws every session of parliament. Send parliament and most of the public service on a long overseas study tour and leave them there on full pay. (They will do less harm than they do here). Give us access to land for exploration and secure tenure for mining and we and the farmers and our dependent industries will carry the nation, as we always have.

Common Sense

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ISSUE No 116, November 1995

Thomas Paine

The Welfare Industry

It is a sick joke in the Lucky Country that welfare is our biggest industry. Its turnover exceeds that of BHP, News Corp and Coles-Myer combined. It sends cheques to more people than the Department of Defence. It consumes 36% of the bloated federal budget and has been the most consistent growth industry of the last quarter century. We are so busy redistributing wealth we are forgetting to produce it. We have welfare commitments which are politically impossible to cancel, and economically impossible to honour.

For our first century, the Aussie Work ethic and the absence of big government, big unions and big taxes combined to produce rapid growth in wealth and population. At federation, there was virtually no government welfare and Australia had the highest per capita income and the most egalitarian society in the world.

Then came Welfare City. Canberra is the local symptom of a world-wide disease of the 20th Century—big government, with its morbid symptoms, big taxes, chronic inflation, wars on everything and replacement of the work ethic with the welfare ethic.

Most Australians think the welfare state was invented by Whitlam. It's a pity Gough did not read a bit of history before he saddled us with a failed idea from the middle ages.

England's first poor law was enacted in 1536 and by 1576 there was a national tax for support of the poor. Like the modern version, this early welfare state grew like cancer. By 1700, 20% of the population were in occasional receipt of alms. Richard Dunning declared in 1698, that an ordinary labourer with a family was better off on the parish dole than if he worked.

The seeds of real destruction were sown in 1795 with the introduction of minimum wage laws. Under this law, wages below what the well fed justices considered an absolute minimum were supplemented by the parish in accordance with the price of bread and the number of dependents a man had. This brought a geometric rise in the cost of welfare. Within 30 years, welfare dominated parish finances and some English villages became bankrupt. Labour too was demoralised by the inhumanity and injustice of the system—riots and arson became common. A royal commission was set up in 1832 to enquire into the whole welfare state. It reported in 1834 and its recommendations, the Poor Law Amendments, were adopted in Parliament with 319 votes for, to 20 against.

A couple of typical quotes taken almost at random will illustrate the theme of this masterly report:-

The laborer under the existing system need not bestir himself to seek work; he need not study to please his master; he need not put any restraint upon his temper; he need not ask relief as a favour. He has all a slave's security for subsistence without his liability to punishment. As a single man, indeed, his income does not exceed a bare subsistence; but he has only to marry, and it increases. Even then it is unequal to the support of a family; but it rises on birth of each child. If his family is numerous, the parish becomes his principal paymaster; when there are more than three children, his allowance generally exceeds the average wages given in a pauperized district. A man with a wife and six children, entitled, according to the scale, to have his wages made up to 16s. a week (in a parish where the wages paid by individuals do not exceed 10s. or 12s.) is almost an irresponsible being. All the other classes of society are exposed to the vicissitudes of hope and fear; he alone has nothing to lose or to gain ...

It appears to the pauper that the government has undertaken to repeal, in his favor, the ordinary laws of nature; to enact that no one shall lose the means of comfortable subsistence, whatever be his indolence, prodigality, or vice; in short, that the penalty which, after all, must be paid by some one for idleness and improvidence, is to fall, not on the guilty person or on his family, but on the proprietors of the land and houses encumbered by his settlement ...

Those who still believe they can eliminate welfare fraud should have read the comments of Mr Thorn, assistant overseer of the parish of Saint Giles in London in 1832:

Controlling out-door relief in the city of London would require almost one man to look after every six applicants, and then he would only succeed imperfectly in preventing fraud. They cheat us on all hands ...

It is the study of bad paupers to deceive you all they can, and as they study their own cases more than any inquirer can study each of the whole mass of different cases which he has to inquire into, they are sure to be successful in a great many instances. The only protection for the parish is to make the parish the hardest task-master and the worst paymaster that can be applied to.

The conclusions of the Poor Law Commission should be engraved over the door of the DSS in Canberra:

We do not believe that a country in which ... every man, whatever his conduct or his character is ensured a comfortable subsistence, can retain its prosperity, or even its civilisation.

The main principle of a good Poor-Law administration is the restoration of the pauper to a position below that of the independent labourer.

The problem is, how to afford to the poorer classes adequate relief without material injury to their diligence or their providence.

The lessons of the welfare state are there for all to see.

Whether it is the free bread and circuses of Rome, the British Poor Laws, Welfare in New York or the DSS today—government welfare and wage control always harms the honest hard working poor and is abused by the vagabonds, the shiftless, and the bludgers. The welfare state in one sentence is this—‘Treating adults as children’.

Our welfare state probably costs \$50 billion per year. The taxes needed to pay this are destroying profits and jobs, which puts more people on welfare. We are all caught in the welfare whirlpool—tax causes poverty causes welfare causes bureaucracy causes tax ...

This welfare whirlpool is destroying the natural control systems of our society.

Every social system needs a combination of the carrot and the stick to regulate itself. The carrot is the chance of becoming rich if you work. The stick is the probability of becoming poor if you don’t.

Taxes have consumed the carrot; welfare has broken the stick.

This is why Australia can no longer compete, except in sport, where winners and losers are still allowed under the law.

There is a need for an urgent Community debate on how to get us out of the welfare whirlpool. Politicians are afraid of the subject—we, the people, must put it on the national agenda.

Government itself is generating the welfare whirlpool and it is a cruel joke on its victims to claim that more taxes and more welfare will provide more than temporary relief of symptoms. Every new tax punishes enterprise; every new handout rewards idleness. Together, these produce sick industry and booming unemployment.

No government welfare system can separate the needy from the workshy or prevent an explosion in the cost of the system.

The family and the local community is the only welfare system which works without being ripped off. Family, friends, churches, charities, voluntary communal groups—only these decentralised, personalised local groups have the right combination of austerity and compassion.

Austerity is required to prevent abuse of the system by staff or recipients. Compassion is needed to bend the rules in urgent or special cases. Neither austerity nor compassion is encouraged in the welfare bureaucracy.

What can be done immediately, with no further debate?

First, cut the dole by 50 per cent for all able-bodied persons with no dependents and freeze the number and the payout of supporting parents benefits.

Second, give every person affected by these moves a certificate exempting him from all statutory wage controls in the first job obtained.

Third, slash taxes to allow industry to expand job opportunities. The top priority must be to abolish all payroll taxes and levies which are only penalties for employing or rewarding people.

This program will provide both the incentive and the opportunity for the unemployed to get real jobs instead of waiting in growing frustration for make-believe jobs created in Canberra

Those who have been pauperised by the government must be set free to learn that the only reliable helping hand in this world is the one on the end of their arm.

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ISSUE No 117, December 1995

Touring Bureaucrats

Tourism must be our most molly-coddled industry. While nominally in private hands, at every turn it is promoted, regulated, organised, advertised and taxed by a multitude of government bodies. If all the bureaucrats and politicians living off the industry took simultaneous holidays, it would create its own tourist boom.

Every level of government seems driven to get into the tourist business. If Thomas Jefferson were living here today he would probably be forced to redefine the essential role of government as 'the protection of life, liberty and property and the promotion of tourism'.

The Big Momma of Tourism is the Australian Tourist Commission. However, every state and territory also has their own bureau of tour promoters. And if all this is not enough, every capital city and many regional areas have their own travel bureaux, commissions and spruikers.

All this expensive overhead is in desperate need of an income. There are only two sources—taxes or fees for service.

As usual, Canberra has led the way in Tourist Taxes by introducing the Departure Tax. And like all taxes, it started small and was doubled later once people got used to it. State and local governments keep talking about bed taxes and other schemes to shift the cost of their expensive empires from taxpayers and ratepayers to tourists (none of whom are ever asked whether they wanted the 'service' in the first place).

In their desperation for funds, the Tourist Qangos have gone far beyond promoting tourism and have got into competition with their industry by setting up, owning or subsidising travel agencies,

booking systems, holiday packaging, casinos, cultural centres, convention centres, Mardi Gras, resorts, airports, expos and car races.

Whenever politicians start chucking buckets of money around you can be sure it will be followed by losses for the taxpayer, jobs for mates, scandal, corruption and then commissions of enquiry.

For example, Peter Walsh was one of the most responsible politicians to try to hold the purse strings in Canberra. He complained in 1985 about the NT Government subsidies, guarantees and investments in resorts and hotels at Ayres Rock, Alice Springs and Darwin. He warned that those ventures 'could cost taxpayers \$300 million'.

It turned out that Walsh was the optimist. In 1994 a group of investors brought a 40% interest in Ayers Rock Resort Co Ltd for \$24 million. This values the resort at \$60 million. Taxpayers had sunk about \$550 million into this project—a cool half billion loss on one deal alone.

With the glamour status of the tourism industry, the nationalised education industry is getting into the act. We have Professors of Tourism and Hospitality, a proliferation of degree courses, and, I'm sure, PhD 'Research' scholars. (Maybe all this is an appropriate preparation for our approaching national status as cooks and waiters for the industrial barons of Asia.)

Can you imagine any government education bureaucracy teaching anything useful to the tourist industry—service, hospitality, tidiness, good manners, value for money? This is surely a field that is best learnt on the job. There is certainly no case for taxpayers to be funding such courses.

Posturing politicians seem to think that every Australian profits from the growth of tourism. To many residents, however, an epidemic of tourists is about as welcome as a tax audit. The Fitzgerald Enquiry was told in 1987 that crime rates in tourist areas were 62% higher than in non tourist regions. Tourists also bring increased rents, increased traffic and increased costs. Excessive tourism erodes the quality of life for most residents, while the benefits fall heavily on airlines, hotels, resorts and their employees. When the harassed residents also find out that much of the tourist promotion comes out of their taxes, they are likely to become bitter indeed.

The Greenies continually promote tourism to replace traditional wealth generators such as wood-chipping, forestry, mining and farming. However, this support is only theoretical. Once

a road, resort, cable-way or casino is actually proposed, the Greenies go into anti-gear and everything bogs down in endless hearings, enquiries, objections or world heritage listings.

We already have a backlash against immigrants. At least most immigrants settle here, start producing and will assist us to hold this rich empty land.

Tourists, however, have no such commitment. They come here to gaze in wonder at our huge potential in land, minerals, food and forestry, most of which, in their eyes, is grossly undeveloped. They see a Cornucopia of riches defended by a handful of arrogant, pampered, unpopular Europeans many of whom are at the pub, on the beach or on welfare. Every tourist sees both our wealth and our weakness.

Idle undefended resources are always a magnet for the hungry landless hordes. Today they come with cameras and looks of astonishment. One day they will come back with guns. Will we then remember the Tourist Promotion Boards that subsidised their interest and their envy?

And despite all this 'encouragement', government taxes, development delays, customs irritations, air-line regulations and rigid award structures are major impediments to the tourism industry. In the words of the Vice President of All Nippon Airways, our tourist industry is over-priced and over-regulated.

Tourism is obviously a valuable industry, and I have no quarrel with it. But I object strongly to the excessive government presence in the industry. There is no justification for taxpayers funds to be spent on tourist promotion, subsidies or investment in resorts, car races, hospitality courses or anything else.

All the Tourist Boards, Commissions, Corporations and Bureaus should be weaned immediately from all government money. Those whose service is valuable will survive. Those who cannot get support from airlines, railways, motels, resorts, casinos or other tourist operators should be left to quietly abolish themselves.

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Thomas Paine

ISSUE No 118, February 1966

Election Doldrums

If you listened to our politicians (and you can't hear much else these days) you would think the future of Australia depended on appeasement or bribery of the greenies, the ACTU, the arts lobby and the public service. Maybe the future of some politicians depends on buying votes from these noisy, unrepresentative and generally unproductive minorities, but the future of Australia is far removed from this froth and bubble.

Our primary industries form the rock on which Australia's real prosperity depends. This may not be a popular statement nor politically correct, but the truth still exists even if no one is prepared to recognise it.

Mining and agriculture are the primary generators of new wealth in Australia. All other industries, transport. service. process. trade, consume. regulate or tax the real products of these great industries.

In the pioneering days, mining and agriculture supplied 90% of our export income (50% mining, 40% rural). Gold and wool supported the nation. It was the land of gold nuggets, and the golden fleece.

Then as our early gold and copper mines were slowly exhausted by rising costs and falling prices, mining's share of exports fell to its low of 5% in the hungry 1920's. But wool wheat, butter, meat and sugar stepped in to fill the void and supplied 75% of our export income.

Today our rural industries are weakened by drought, greenies, taxes and government marketing boards. Mining is again shouldering the load and generating close to 50% of our export income, with agriculture about 20%. The unchanging reality is this—for all of

our history, mining and agriculture have provided at least 60% of our export income. Generally, depression in one has been balanced by prosperity in the other. Heaven help us if both fall out of bed together.

Mining and agriculture will remain the bedrock competitive industries for Queensland. They will provide the export income to fund our imports and will remain as the milch cows which fund the ever-growing ranks of tax consumers.

Farmers and miners, graziers and oil men, drovers and prospectors, gardeners and gougers, saw-millers and smeltermen, damsinkers and drillers, fossickers and fishermen all seek out, develop and extract resources from the earth, and battle the whims of nature to produce the food, fibres, fuel, metals and water on which all industry, commerce and trade is based. They are the primary creators of the raw materials without which civilised life is impossible.

Despite this huge contribution to our welfare, they generate more apathy and abuse than applause from the politicians who live off them.

Their land is tied up in aboriginal land claims, sterilised by world heritage or sacred site status or locked up in national parks or no-go areas.

When I entered the workforce in the 1960's, miners and farmers were heroes, and development was not a dirty word. Open season on mining started in 1969 with the publication of the notorious 'Fitzgerald Report'. This venomous collection of halftruths provided the justification for three decades of uninterrupted attacks, restrictions, prohibitions and taxes which has crippled the growth of the industry and now threatens to depopulate the outback.

For two centuries prospectors and squatters, miners and farmers have been the greatest force for unsubsidised decentralisation of Australia. Unlike the welfare industry, they cannot choose to live on the Gold Coast or at King's Cross.

They must go to where the best minerals, the best soils and the best pastures are found. They are the only ones with a real hold on most of this vast empty continent.

Together they have developed and populated the outback for 200 years but most of them are still little better than feudal tenants working state owned mines, farms and forests. Their futures are in the hands of a new unelected aristocracy in the public service which wraps them in rules and regulations from the cradle to the grave.

Many of our biggest inland towns and cities such as Mount Isa, Cloncurry, Weipa, Charters Towers, Blackwater, Mt Morgan, Gympie, Broken Hill, Ballarat, Bendigo, Kalgoorlie, Coolgardie, Port Hedland and Tennant Creek were founded by miners. All the rest supply goods and services to the farmers and the miners in their area. The capital cities suck blood from this productive pipeline.

But to those who own or work in these industries it appears as if the politicians want to close them down. The fringe benefits tax alone has done more to depopulate the outback than the drought of 1902 or the great depression. The arbitration court has been almost as destructive of outback jobs. And with today's welfare system, most unskilled families can arrange to get paid more by the government for taking holidays on the coast than they can earn by sweating in the bush.

Our politicians bleat about jobs, but all we see is a wasteland of unemployment caused by their taxes, prohibitions and intervention.

For fifty years the monetary and fiscal policies of successive governments has drained the wealth from the primary producers to force-feed the growth of the capital cities.

They have been robbed by excessive taxes, unnecessary tariffs, unending inflation, costly manipulation of exchange rates and national wage policies which have destroyed jobs in rural Australia. They are considered fair game by an endless stream of do-gooders, greenies, busybodies, marketing experts and other coercive utopians. They have to put up with union blackmail, political interference, bad roads, mediocre or remote schools, endless government enquiries, the arbitration court and the bureau of census and statistics.

Despite the huge and profitable trade they generate, they are subject to complex and discriminatory bans and taxes on imports and exports and an expensive and featherbedded system of rail and coastal transport. Despite generations of successful production they are increasingly forced to seek production approvals from those who produce nothing.

It is time politicians regained a sense of perspective. It is not the tax consumers and the noisy minority who will help us out of this mess. They are not the solution—they are the problem, and the more money thrown at them, the worse the problem will get.

The greatest danger in every election is that the politicians will keep too many of their stupid election promises.

Elections are about buying votes. Good government is about encouraging the workers, the producers, the tax payers, those who save and invest, and those who generate the wealth. Let's hope that, after the election, the promises to the noisy minorities are forgotten and those who provide the real wealth of the nation are given some relief from decades of oppression.

Common Sense

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ISSUE No 119, March 1996

A Model Ministry

The people of Australia, in a huge roar of disapproval, have sent a warning to Canberra 'get out of our lives and out of our pockets'.

But the first act of the new government, an act of ominous pusillanimity, was to announce a huge federal ministry of 28. John Howard needs a small, tough, machete-wielding Cabinet to carry out the multiple amputations needed to downsize the octopus in the ACT.

The Model Ministry is ten, and their functions are listed in the table.

The Model Federal Ministry

1. The Prime Minister
2. The Defence Minister
3. The Controller of Spending
4. The Federal Liquidator
5. The Minister for Sound Currency
6. The Minister for Legislative Repeal
7. The Minister for Tax Reduction
8. The Minister for Decentralisation
9. The Trade Facilitator
10. The Office of the Bureaucratic Predator

No 1 is, of course, the Prime Minister, whose job is to set impossible reform targets for his ministers, and make sure they exceed them.

The No 2 Ministry, and the major purpose of the federal government, is Defence. The Defence Minister will have his defence budget frozen, but will also control the budget for the foreign office, with a free hand to find increased defence spending by slashing foreign aid and pruning embassies.

No 3 in the Ministry is the Controller of Spending. His job is to say 'No' to all proposals for increased budgets from any other minister, and, within three years, to eliminate all subsidies to business, halve the dole and replace all other welfare payments with a uniform and universal negative income tax (as a first step towards returning welfare to the family, the churches and other private agencies.)

Model Minister No 4 is the Federal Liquidator. His job is to prepare an inventory of all government assets, land, buildings and businesses and sell them as quickly as possible to retire government debt. For loss making 'assets' with no market value, such as ANL, the preferred course is to convert them into public companies, and donate the shares to the employees.

No 5 in the Model Ministry is the Minister for Sound Currency. His job is to stabilise the purchasing power of the government currency. Two steps will be taken to assist this task. Firstly, all ministerial salaries will be reduced annually by the percentage decrease in the purchasing power of the currency. Secondly, all laws preventing the use of private currency, foreign currency, gold, silver or commodity money will be repealed.

Minister No 6 is the Minister for Legislative Repeal. His job is to repeal decades of useless laws, rules and regulations. The only laws that remain on the books should be those which define and protect contracts and property rights or which prohibit aggressive acts against the life or liberty of any peaceful honest person. All laws and regulations which prohibit or inhibit peaceful trade between consenting adults or which enforce or prohibit peaceful, private discrimination will be repealed. If there is any doubt as to the purpose or morality of any legislation it should be repealed. And, in determining priorities, the time-honoured union principle should apply—last on the books, first to go.

No 7 in the Model Ministry is the Minister for Tax Reduction. Her job is to prevent the introduction of any new taxes, veto any increase in tax rates, and reduce the number of taxes and their cost to taxpayers. The tax system should be designed to strengthen the federal structure of Australia, and to encourage fiscal responsibility at every level of government.

The federal government should be confined to income tax, which should be simplified, levied at a low flat rate, and stripped of all distorting exemptions, exceptions and special allowances.

The federal government should hand over the authority to levy sales tax to the states, vacating this field altogether, at the same time abolishing all federal handouts to state governments. Sales tax should be levied at a uniform low flat rate with no exemptions or exceptions.

Highways should be funded by tolls, state fuel taxes, or out of the defence budget, and local roads out of tolls and vehicle registration fees.

Local government should be funded by rates on land and fees for service.

Minister No 8 is charged with Decentralisation of Government. His job is to close down, or hand back to the states, all federal functions that duplicate state functions—this includes but is not confined to the federal departments of health, education, industry, police, industrial relations, housing, environment, aboriginals, forestry, arts, sport, transport, family services, small business and consumer affairs. We would be better off if government got out of most of these fields. But if they must interfere, it is best done by politicians who are closer and more responsive to the people being interfered with.

Minister No 9 (but an important ministry nevertheless) is the Trade Facilitator.

Man's material welfare depends on production and trade. The importance of production is generally recognised, but the community is generally disdainful of traders, middlemen, peddlers, hawkers, touters, barkers, hucksters, scalpers, spruikers and salesmen. They are beset by trade regulations and restrictions, taxes and levies, licences and permits, local content rules and discriminatory health, safety, labelling and marketing regulations most of which are instigated by local competitors. The job of the trade facilitator is to sniff out trade barriers wherever they occur, and eliminate them.

The need to preserve free trade between the states was a principal purpose of federation, and is enshrined in the Australian Constitution. The Trade Facilitator should use this federal power to strike down all state laws and regulations that interfere with free trade between states. At the same time he should repeal all import and export regulations except those that are needed and used to control the spread of pests or contagious diseases. Taxes and levies

on imports should be abolished or levied at a low flat rate on all goods with no special exemptions and exceptions. This will greatly reduce the cost of complying with and collecting these taxes.

All export licences, permits, taxes, bounties and regulations should be abolished, without exception.

The final Ministry, but perhaps the most important, is the Office of the Bureaucratic Predator.

In 1541 Henry VIII passed an act forbidding ‘Artificers, labourers, apprentices, servants and the like to play bowls at any time save Christmas’. The Act was not repealed until 1854 that is, 304 years later.

This illustrates the fact that there is nothing so permanent as a government regulation. And like all regulations, it was introduced with good intentions—to prevent good yeomen playing bowls when they should have been practising archery.

Every government introduces some new bureau, department or authority, but I cannot remember one ever being abolished. Even John Howard, with years to observe the bureaucratic beast, reduces the number of ministers from 30 to 28. But, were any departments abolished, any activities removed, any taxes repealed or any bureaucrats sacked? Not one. It was merely a rearrangement—same garbage, different flies. It will be followed by an orgy of reprinting letterheads and stationery. Nothing else will change.

The Bureaucratic Predator should be one who looks on bureaucracies as Rome looked on Carthage. The enemy must not merely be defeated, it must be destroyed utterly—sacked, razed, burnt, pulled down brick by brick, and the ground ploughed and sown with salt.

This job should be let out to tender for period of three years, the successful tenderer getting the right to 10% of the total budget of all eliminated bureaucracies for 5 years.

This then is the Model Ministry. I doubt we will see it in operation in the life of this parliament, but those in the tax consuming industries and their apologists in the media should take warning—compared to some of us out here, John Howard is a pusillanimous pinkie.

Common Sense

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ISSUE No 120, April 1996

Growth Mythology

Just after the Kobe earthquake, while real people poked through the rubble of their lives and houses and businesses, government economists with PhD's were debating how much the rebuilding of Kobe would add to Japan's GDP.

Over in America, in 1992, the GDP was inflated by almost 2% by the work needed to repair the huge damage caused by hurricanes Andrew and Iniki.

On a smaller scale, in Australia, if a bachelor spends \$150 per week on a live-in housekeeper, this expenditure inflates the GDP. But if he decides to marry the girl, and gives her \$150 per week housekeeping, the GDP contracts by this amount.

Is it any wonder some people think that 'GDP' means 'Grossly Deceptive Proximations'?

For years now there has been a growing feeling of unease in the real world about economic statistics. We hear of 'beautiful sets of numbers' and have 'turned the corner' so many times we are dizzy, but ordinary people feel their lives are poorer, harder or more precarious. We are starting to wonder if Art Buchwald was right when he said 'As the economy gets better, everything else gets worse'.

Mediaeval people once looked to the skies for omens, based their prophecies on the entrails of fowls and ensured their future by sacrificing the occasional maiden to their gods. We now look to the ABS for omens, base our prophecies on random number generators in the entrails of computers and see benefits in sacrificing whole industries to the ruling economic god.

There is something sick about a society in which our brightest minds in business, government and the media wait breathlessly for

release of the latest GDP figures when even a casual analysis will show that the figures are meaningless.

The only reason for any sane man to listen to an announcement of the latest GDP statistics is so he can decide whether he should act to protect himself from the actions of other fools who believe the figures mean something. (Particularly official fools who may fiddle monetary or fiscal policy).

Why is the GDP such a useless statistic?

Firstly it is a meaningless measure of economic welfare.

The biggest problem is that all government activities are assumed to add to our GDP.

Even if it were granted that all government services were of value (a very dubious proposition) the problem is, how to give them a value. Most are either compulsory, or given away free. The government economists, with just a bit of self interest, subscribe to the Marxist Theory of value that government output is worth what it costs to produce, not what consumers would freely pay for it. Thus GDP calculations assume that all government activities are of net value to the community, and then values them at the government's inflated cost of production.

So, if high taxes and wage controls cause unemployment to rise and they put on 1000 CES workers to cope, the GDP goes up. Or if government schools become so bad that industry has to introduce remedial teaching, this too is seen as a welcome addition to GDP.

Secondly, GDP does not even manage to measure all those activities that do produce things of value.

For example, all the unpaid non-cash economy slips through the statistical cracks. Housework, voluntary work, odd-jobs, hobbies, barter and the black market, all of which enrich the lives of those it touches, never make an input into the government models.

Also, many private activities which add to the GDP do not add to real welfare. For example, more divorces causes growth of legal services, real estate transactions and government stamp duty receipts, but no one would see the underlying cause as good. Earthquakes and cyclones may be good for the GDP, but are not for the community.

Thirdly, GDP does not measure movements in any of the three major resources of every society—land and natural resources, productive labour, and capital goods. These three giants of the economy determine our wealth, our strength and our future. Unless

one or more of these giants is growing, we are heading for poverty or worse.

In the short run, our land and natural resources are pretty stable. In the long run, and under good policies, mineral exploration, re-afforestation and soil improvement will increase our mineral, plant and soil resources. Conversely, poor land and mineral tenures will see these resources raped.

Our stocks of productive labour are also stable in the short run. In the long run, births and immigration can increase them and better work practices can allow them to be more productive. Conversely, stupid government policies can put many of them onto the beach on the dole.

One thing we can do in the short term is to increase our stock of capital goods—plant, machinery, roads, tractors and computers. To do this we need savings. Savings can only increase if consumption is moderated.

But (and here's the rub) GDP largely measures consumption, even if it is our capital being consumed. And in their futile quest for forced growth, government activities invariably encourage demand (ie consumption) to the detriment of savings and tool accumulation.

Wealth creating growth can only come from production, not consumption. Utopia is an increasing production of valued goods and services per head of population. That can only come if our stock of natural resources and tools is increasing faster than our population.

GDP figures are also so inaccurate as to be meaningless. It is certainly fraudulent to report them to one decimal place (if the ABS were privatised, it would be sued for misleading practices).

The problem with GDP figures is that they are accurate where it doesn't matter—government statistics and the returns from the industrial giants come in regularly. Government statistics are regularly manipulated (by redefinition or statistical adjustment, for example) and were falsified on a massive scale in the comrade societies. But the important movements are those in small business, as this is where the numbers and the swing factors are found. What are the farmers doing? Is small business optimistic or giving up? These people hate government forms with a vengeance. I personally have never put anything useful in a government census form in my life. Mostly I throw them in the bin and ignore their increasingly shrill threats. If it appears certain I will get fined, or go to jail, I fill

them out with such cavalier disinterest that I'd sure hate to plan my future on them. I resent the compulsion and the spurious arguments that are used to support their forced collection.

But most of all I see all attempts by government to measure 'the economy' as the necessary precursor to their attempts to 'manage' the economy. Economic statistics are the lifeblood of government econometricians—those people who believe that government spending can be manipulated to produce lasting benefits for all people (instead of the real result—windfall profits for the favoured few, at the expense of all the rest).

For the government to claim that its spending creates growth is like a robber explaining to the violated shopkeeper 'But I'll spend what I stole back in your shop, so your business will grow'.

Economics was once a science written by Scotsmen in English. It is now a non-science written by Hungarians in mathematics.

It is a leading indicator of our decline that Australia leads the world in expenditure per head on government statistics.

Attempts to measure 'GDP' or 'the economy' represent the ultimate error of aggregation. It cannot be done in any meaningful or accurate way. At best, GDP forecasts are useless trivia—at worst, dangerous delusions.

The media has a duty to expose such delusions. I look forward to the TV presenter who says -

The quarterly GDP statistics were released today. Luckily no one noticed, and no harm was done.

Common Sense

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Thomas Paine

ISSUE No 121, May 1996

The Booming Business in Crime

Crime is today's booming business—it is a government success story.

Four things are required to sustain the crime boom.

Firstly, the cost of crime should continue to fall. Government achieves this with inadequate penalties, generous parole conditions, four star jails, and by putting hobble-chains on the police and discouraging or even punishing victims who fight back.

The second requirement for a boom in crime is that the price for illicit products must keep rising. Prohibition creates most of the criminal industry and the more government attempts to suppress the industry, the higher the scarcity value and price for the products. This is what drives profits in the drugs and wildlife trades.

The third attraction of the crime business is that new growth areas keep opening up. In most countries the basic criminal industries are burglary, drug dealing, prostitution, smuggling, pornography and tax evasion. But governments are continually creating new and profitable products for the black markets. They do this by passing new laws to prohibit ownership or trade in products or services, or increasing taxes or tariffs to confiscatory levels.

Fourthly, any growth industry needs a growing supply of foot soldiers. Government achieves this by fostering a climate of opinion (via education and welfare policies) that teaches our children they have the right to the good life without effort and they can escape the consequences of destructive, aggressive, unproductive or even criminal activity by blaming 'society', their parents, or their 'disadvantaged status' for their anti-social actions. Such children grow up contemptuous of the law and are ready recruits for the crime business.

Every profitable industry attracts new participants and grows. Thus the key to reducing crime is to reduce its profitability.

The first step must be to increase the costs of crime. The likely cost of a crime consists of four factors—the chances of getting caught, multiplied by the chances of being prosecuted and sentenced, multiplied by the likely punishment, discounted by the chances of early parole and discounted by the likely delays before the punishment is administered.

For burglary, say, the calculation of the effective cost could look like this—10% chance of being arrested, 50% chance of being prosecuted and sentenced, 50% reduction for parole and delays, and a final sentence of one year in a comfortable jail.

With these figures, the net effective cost of a burglary is just over one week of the burglar's time. If the opportunity cost of his time is low (nothing better to do) the cost of burglary is very low indeed—certainly less than the expected payoff of a lap-top computer, or a mobile phone plus a collection of CD's.

The most effective punishment is one which is swift, certain, painful and directly proportional to the crime. Punishment in today's system is painfully slow, impossible to predict and often a joke to the criminals.

For example, a youth appearing on 276 counts of break and enter was admonished and discharged. But a railway worker who trapped 74 cockatoos (which were in plague proportions at the time) was fined \$25,000, lost his job, lost \$20,000 leave entitlements and had his vehicle and trailer confiscated. Two young men who bashed and raped a 73 year old widow were sentenced to 3 months in jail while a hardware owner was fined \$500,000 for trading out of hours.

For a juvenile hooligan, especially from a 'disadvantaged minority' the chances of receiving any punishment are small.

For some young offenders even a jail term is no punishment at all. Bob Collins once complained that young aboriginal hooligans in the NT were seeking jail terms in Darwin because they got a pleasant plane flight, a comfortable modern jail with unlimited TV, regular food and increased status when they returned home. Swift tribal punishment such as a spear thrust through the thigh would be much more effective.

As Cicero said, in 50BC, 'The greatest incitement to crime is the hope of escaping punishment'.

Nowhere is the impotence of law enforcement and punishment more graphically displayed than in the Port Arthur murders. A maniac runs loose with a gun but police are afraid to shoot him

down unless he is actually in the act of a crime. No one else can find a gun. The maniac then sets fire to a guest house and gets burnt, so we rush him to hospital for tender specialist medical attention. It will now be months or years before any sentence is brought down and then it will probably be thwarted by a plea of insanity, or a mistrial because some reporter influenced the jury by saying he was a murderer.

Now the media, instead of demanding the immediate death penalty for the criminal, are off on a holy crusade to punish millions of innocent gun owners. (Had one of them been at Port Arthur, with their rifle, a lot of grief could have been averted).

For too long now we have listened to the Dr Spock generation defending the poor criminals and making an industry out of ineffective counselling and rehabilitation. The pleas of insanity and diminished responsibility must be thrown out. It is time to wipe the smirk from the faces of the crims in the dock. And it is time for capital punishment for mass murder, public terrorism and pre-mediated murder.

It is also time to uphold the right of the victims to defend themselves. The police are never there when the crime occurs—there is only the lonely victim and his frightened family facing the armed invader. Too often do we read the sick tragedy of the victim being prosecuted for defending his home, family or property. Should he injure the thug, he may even end up selling his home to pay the legal costs and the damages award. This is surely the sign of a society gone mad.

The next move to decimate crime is to eliminate most of the victimless economic crimes. The laws against trading in such things as drugs, wildlife, heritage items, prostitution, unpasteurised milk or unlicensed services serve no useful purpose except to define some peaceful honest traders as criminals, and to waste the time of police and courts in apprehending and punishing them for non-crimes.

To prevent the expansion of profitable criminal activities governments need only one policy—‘No more unenforceable prohibitions and no confiscatory taxes’. But they seem determined to use prohibition to create a blackmarket in guns and confiscatory taxes to create a black market in tobacco products. More growth for the criminal industry.

Finally, the most important reform of all is to restore a value system that instils respect for other people’s lives, beliefs and property. It must also teach that individuals are responsible for their

actions, and for every crime there will be an inevitable and appropriate punishment for the act plus restitution for the victim.

The final word on the cause of the boom in the criminal industry belongs to Benjamin Tucker, who said in 1893 -

We enact many laws that manufacture criminals, and then a few that punish them.

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ISSUE No 122, June 1996

The Right to Open and Shut

A miracle occurred last week. Sitting quietly in the Muffin Shop, drinking their magic coffee, I was beamed back to 1978, or even earlier, because I read, with a sense of wonder, that Sir William Knox was about to chair an enquiry into Trading Hours. I rejoiced at being 20 years younger again, with a chance to do a few things differently. But I was jolted back to reality when I glanced at the date on the paper—6 June 1996.

Enquiries into trading hours is a talkfest on which the sun never sets. What else can possibly be said that has not already been said in an estimated 20 previous enquiries held every five years or so in every state or territory of Australia?

Now that Mrs Sheldon has joined the rest of us in paying taxes to support Canberra. I've a suggestion that will help her to balance her budget—abandon the enquiry into Trading Hours, abolish all laws and regulations on the subject and fire all the inspectors and officials whose nonjob is to police these stupid laws.

If that seems all too radical, I have a more modest proposal. Send Sir William back to his beach house before he assembles an expensive committee plus its inevitable secretariat and give me a contract to write the report for her. She can then file it with the several other reports which must rest in the back of her 'Trading Hours' file. I'll do it for a special price of \$100 per page (A4, single spaced Courier Font, 12 point). I will do it to a maximum length or maximum cost specification. (But, like most people appointed to committees of enquiry, I may not have an open mind on the subject.)

This will save thousands of dollars. If the government wants to save even more, I suggest they unearth one of the previous enquiry

reports, change the date and reprint it. Or, if that is too boring, import one from NSW, Victoria, SA or WA—that way the government could choose a report with just the right conclusions.

When will they ever learn that trading hours is not something that can or should be determined in parliament? It is a matter of individual choice. It is not the business of government to create winners and losers by dictating when certain traders may open or close their shops.

The answer to just one question determines whether we live in a free society or a command society. The touchstone question is this—‘Are peaceful honest people free to choose how to use their time, their energy, their money or their property?’ Far too often in this bureaucratic state, the answer is a thundering ‘No’. This slogan should be engraved over the entrance to the members’ bar in George Street ***‘Freedom to Choose is the People’s Right’***.

Opening the door of your shop is not coercive, not fraudulent, not deceptive, not aggressive. There is no reason whatsoever for this action to be prohibited or restricted. It should never rate a mention in the law books.

There is no justification for parliament to force tax payers to provide cushy jobs for tea-trolleys of bureaucrats and overtime payments for car-pools of inspectors whose role in life is to shut shop doors.

It is a clear matter of principle that leads me to reject out of hand all laws on trading hours.

But, it is clear we live in a society bereft of all principles except the so called democratic principle, which has two assumptions

- there are no eternal commandments carved in stone—majority opinion this week is truth this week.
- parliament, controlled by the ruling party, dictated to by the Cabinet and dancing to the tune of the media, determines what is majority opinion.

I reject both assumptions entirely. Unless they are chained down by a constitution of fundamental rules, all democracies become dictatorships, often as oppressive to minorities and destructive of their values as many military juntas.

But principle is a slim volume in most libraries in parliament and the media. They are only swayed by ‘practical’ considerations.

However, if it is wrong in principle it will surely be bad in practice.

Let’s look at some of the practical consequences of restricted trading hours.

They say that legal hobbles are needed on big businesses so that small businesses can gain a little unfair advantage. This unprincipled approach has a few practical difficulties.

Where do you draw the line between the favoured 'small' and the dastardly 'big'?

Is a 'small' business confined to just owner/operators, so that the Mum and Dad store can never aspire to grow without being penalised? Is it six employees, so that once the business hits this ceiling the owner cannot enter his shop without breaking the law—he must manage the shop by mobile phone from the car park, as has happened in Queensland?

Is it all small shops except those clustered around a big shop in a shopping centre? And what about all the small businesses supplying and transporting goods to the big chains—are they to be penalised just because their customer is not in the class currently favoured by the politicians? And why should those employed by supermarkets and department stores be the only ones prevented from earning more wages in return for more work or more flexible hours? Once the government starts to interfere, there will be no end to the anomalies, the injustice, the perverse consequences and the calls for yet another enquiry.

And what about the cost of building big stores that are forced to stay shut for 20% of their prime selling time? And the traffic congestion, stress and accidents caused when all working people are forced to squeeze their shopping into one frantic night, or Saturday morning?

And what about the higher costs forced on the community by the reduced competition for the custom of the weekend shopper? And the sales lost because it is too hard to buy what you want on the spur of the moment? By the time the shop opens again, it is a new week, and the urge to buy has disappeared or has been satisfied by a trip to the video shop.

Repeal of all the laws on shopping hours does not mean that 7 day x 24 hour shopping is obligatory. Shoppers, employees and owners will together determine hours, but in a decentralised non-coercive way. Any owner who chooses hours that do not suit his customers or his employees will go out of business. And any store that does not offer the blend of quality, service, convenience and price that customers like will soon close his doors, without any prompting from the bureaucracy.

Open hours would reduce traffic congestion and pollution. reduce retailing costs, reduce the area of city land required for shopping and parking, and provide a better service to consumers.

But even if some lobbyist can ‘prove’ that none of the above practical benefits will be achieved, I would oppose all government laws on the subject of trading hours because I believe, as a matter of principle, that ‘Freedom to Choose is the People’s Right’.

I can do no better than close with a quote from Sir Joh, who when discussing trading hours in 1978, said, ‘the government shouldn’t be involved’.

Common Sense

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ISSUE No 123, June 1996

The Value Adding Business

In the brave new world of value adding, millions of Australian grannies will knit our wool clip (plus the stockpile) into jumpers and mittens, all sugar leaving our shore will be in packets of Aeroplane Jelly, every cattle town will have its camp pie and bully beef factory, our coastline will be dotted with steel works consuming our coal and iron ore, all forestry products will leave our shores as crates of learned books on self sufficiency, barley and aluminium will not leave until they metamorphose into tinnies of beer, our massive wheat exports will travel to Asia as pumpkin scones, and taxes will be reduced.

Everyone supports value adding, but too few understand what it is. Its name says it all. To qualify as 'value adding' any activity must add to value.

The act of taking an article, an idea, or a resource and converting it into a more complex product does not necessarily add to value—it depends on the cost of the conversion process and the market for the more complex product.

Some conversion processes destroy value. For example, I've seen many 'works of art' which took useful things like paint, canvas and government subsidies and converted them into useless rubbish which only nationalised galleries would bother hanging on their walls.

Similarly, that venerable old company, Broken Hill South Ltd, failed in its attempt to add value to the Duchess Phosphate resource. Project revenue could not recover the costs, value was destroyed, the project was abandoned and the old company went to the corporate knackery.

Likewise, the aluminium master, Comalco, could not extract value from the Wonderlich Window business, and even the highly skilled men from The Isa have not found it easy to add value in the European smelting and refining business. Both would probably have added more to shareholders' wealth had they stuck to their knitting.

Every industry contains those who are adding to value, those who are breaking even and those who are consuming value. The value adders are those with competitive costs for inputs, processing and transport so they can cut a consistent and attractive profit margin out of the price offered by the market. Those at the other end consume the price received and also need a government subsidy just to stay in business.

Our great primary industries, mining and agriculture, have been adding value in big licks for 200 years.

In April 1943, the chief geologist at the Mount Isa Mine, Roland Blanchard, predicted the end of the field. He concluded that if metal prices of the previous decade prevailed, the Isa Mine would last just a few years. If the price of lead and zinc improved, and additional ore was found, the lead-zinc mine may go on to 1955. For Isa Copper, Blanchard's outlook was even less promising.

He reckoned without the ideas, and optimism of that great Australian, Sir George Fisher, who in 1954 initiated an exploration program for the deep copper ores he believed were present. The first hole intersected 173 feet of rich copper ore. The second hole, called by Geoffrey Blainey 'one of the most remarkable drill holes in the world' penetrated almost 500 feet of even richer ore.

From that idea and that drill hole, has come mines, mills, smelters, refineries, fabrication plants, new technology, wages, salaries, dividends, taxes and a cornucopia of copper products sold at competitive prices on world markets. The value adding continues with the decision last week by Nick Stump to invest \$500M to add more value to these deep copper orebodies.

The history of Broken Hill shows a similar story where the initial discovery of fabulous silver deposits in 1885 led the mining companies into mining; milling, smelting, refining, research, transport, marketing and then into other industries such as steel, paper, oil, gas, coal gold and other metals. Along the way they discovered froth flotation' which added more value to more mineral resources than any other research program in the world this century. This value-adding process was developed and perfected in Australia by a few engineers, brewers, miners and money grubbers in the early 1900's.

The story goes on today—Olympic Dam, the North West Shelf, Weipa Bauxite, Kambalda Nickel, Bowen Basin Coal, Pilbara Iron, Kunwarara Magnesite—projects created in the mind, built on savings and now adding value for investors, jobs for Australians and taxes for the biggest extractive industry of them all.

From the moment they disembarked in Botany Bay, our squatters graziers and farmers have also been inventing ways to add value to our great agricultural raw materials. For example, when Hugh McKay took over the family farm in 1881 the job he hated most was winnowing the husks from the grain. In a small smithy he created the world's first mechanical harvester.

The 1902 drought forced his Sunshine Harvester Company to look for new markets and McKay set off for the Argentine, coming back with a full order book. More value was added by his ideas and his energy.

To add value we must build on our strengths, taking our incomparable resources and skills in mining and agriculture and adding value in these and their related businesses.

We must also be vigilant to curb the value destroyers. Every new tax, every bureaucratic delay, every project shelved, every bit of land sterilised by edict—all destroy value.

Fraser Island, Coronation Hill, Wesley Vale, Lake Cowal, Jabiluka, Koongarra, Yeelirrie, Kintyre, Byfield and Clinton stand as monuments to the destruction. Unfortunately, nothing is harder to see than the project that was never built.

Governments regularly destroy value with the stroke of a pen. For example, the current proposal to increase the tax on diesel fuel for miners and farmers will cause a huge reduction in the value of our mineral and agricultural resources. Mineral reserves will decrease overnight, mines will close, developments will be shelved, and jobs in farming and the processing dependent on it will evaporate as fast as the morning dew.

The same fools proposing this destruction will next week bemoan the lack of jobs and wonder why skilled Australians and their backers are pursuing value adding opportunities in Indonesia, South America, Africa and in the casinos of Las Vegas. As the outback depopulates, they debate forced resettlement of immigrants. They forget the floods of pioneers attracted from all over the world seeking riches on the Palmer, on the Golden Mile, raising sheep, growing sugar, earning the lead at the Isa, or pulling big money on a dragline at Goonyella. Today, taught to be fearful of risk,

contemptuous of primary industry, and dismissive of man's industrial achievements, they seek ease and abdication on the dole or smug security on the government payroll.

We all cheer on our athletes who 'go for gold' against the best the world can offer.

When can we see the same enthusiasm for those who, every day, go for gold in the value adding stakes?

Common Sense

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ISSUE No 124, August 1996

The Irrational Harvest

Rupert Murdoch called our jobless queue 'a national disgrace'. John Stone called our wage policies 'a crime against society'. Yet, with rare exceptions, both sides of politics, the media, the churches and the unions fiercely support irrational policies which guarantee high and persistent unemployment for the weakest members of society—the young, the old, the unskilled and racial minorities. You'd think that policies that harm women, kids, blacks, grannies and cripples would surely be struck down immediately, but such is the irrationality and immorality of our authoritarian opinion makers that no one dares to say 'the Emperor has no clothes'.

Those who spend their time blaming our ills on 'rational economics' try to tell us that legislative increases in the minimum wage do not create unemployment.

Tell that to the thousands of aboriginal stockmen who lost their jobs when awards were forced on the NT grazing industry. Listen to Lee Iacocca who told the unions at Chrysler 'I've got thousands of jobs available at seventeen bucks an hour. I've got none at twenty'. (The workers chose the jobs.) Or to McDonalds who offered to employ an additional 1000 kids if youth wages were cut by 10%. Even the maligned boffins in Treasury know that a 10% rise in the minimum wage will erase about 2% of jobs.

Perhaps the greatest-ever destruction of jobs by government occurred in the period 1972-75, and we live with that poisonous legacy today.

I can remember the early 1970's. Unemployment was between 1.5% and 2%. Life was optimistic and prosperous for most Australians. But the media decided we needed a shake up. After

persistently denigrating Billy McMahon as a figure of fun, they got right behind Whitlam's 'It's Time'. Australia was then hit by four disasters Hawke, Whitlam, Cameron and Crean.

Hawke was president of the ACTU, with Prime Ministerial ambitions. He masterminded a smash and grab raid on every employer in the land and in three years average weekly earnings went up 68%, profits fell, inflation roared away and interest rates went over 20%.

Clyde Cameron then raised wages in the public service—he called it 'The Pacesetter Principle'. And honest Frank Crean supported wage indexation because, 'with wages going up at 14.6% and inflation at only 13.2%, we would be 1.4% better off with indexation'.

Whitlam presided over these three disasters, which saw more than 100,000 jobs destroyed in the manufacturing industry alone. (Employment in manufacturing is still below what it was in Billy McMahon's day.)

They say high wages are not the cause of youth unemployment. Yet they keep coming up with job creation or training schemes that involve subsidising wages. Are they fools, or do they think we are fools?

Despite the evidence of decades, the irrational opinion makers in education, the media and the church still cling to job destroying minimum wage laws.

Many of these people can be written off as naive and misinformed, but generally well meaning toward the plight of the unemployed. They prefer to be seen as compassionate rather than rational. (Some compassion to put a million people on the scrap heap!)

The union leadership however, is just as ruthless and self seeking as it was in Hawke's day. Without exception, unions act to force up the wages of their members with jobs, and to prohibit all competition for their members from those without a job or a union ticket. They see a large pool of dispirited unemployed as preferable to any threat to their featherbedded and overpaid positions. (Why hasn't the ubiquitous Professor Fells focussed on this blatant legislative restriction of competition?)

All chronic unemployment can be traced to just three legal interventions -

First, laws which make it illegal for a worker to accept whatever wage and conditions he and the employer agree on.

Secondly, laws which levy taxes on those who provide jobs eg payroll tax, super tax, FBT.

Thirdly, laws which reward able bodied people for not working and tax those who do work.

The dole is already a very effective minimum wage. Why is anything more needed? Why don't we abolish all legislative wage controls overnight leaving just the dole as a basic wage? That will separate those who want a job at any price from those who prefer to be paid sit-down money.

Wage controls and the dole are destroying society from the bottom up.

The hardest thing for any school leaver is to get a foot on the ladder. There are only three ways to get on the unemployment ladder—offer the employer valuable skills, useful experience, or a low price. Wage controls prevent the eager but inexperienced youngster from offering his only asset—he will work for peanuts in return for on-the-job training (the best sort).

I got my foot on the wages ladder at the age of 16 by hoeing burrs from a corn crop at Maryvale. Then I picked cotton at Canningvale, weeded lawns in Taringa and cleared drill lines at Rum Jungle. I have no idea whether or not I was 'exploited on slave wages', but the jobs were a great achievement for me, and I got far more than the pocket money I got for working harder at home on the farm.

My son got it easy. As we lived in the city, there were no farm chores, so he got pocket money for next-to-nothing. But he still grabbed the chance to get his foot on the employment ladder by delivering Pizzas. For both of us, that first rung was the most important and neither of us have been unemployed since then.

If the ladder kickers had their way, all low wage jobs for kids would be destroyed, and they are close to achieving that aim. Instead of lauding people like McDonalds who give kids wages, training and a sense of worth, they rabbit on about 'exploitation' and 'slave wages'. If government laws could create an unlimited supply of well paid jobs there would be no beggars in India, no slaves in China, and no dole queues in Britain.

We also hear a lot of heart rending stuff about 'government job creation', and the likely disaster which will result from Howard's timorous proposals to trim the bloated public sector.

If government job creation worked they could pay half the population to dig post-holes and the other half to fill them in. Everyone would have a job, but we'd all starve.

Governments cannot create jobs—government employees on average cost more and produce less than private employees—the margin is about 50%.

Someone is taxed to create the government job. And for every job created in Wonderland, 1.5 jobs are eventually lost in Realityland. Some job creation. This is why every job creation scheme increases the unemployment level. It is the road to a nation of private peasants and public paupers.

So many ills of society can be traced to chronic unemployment especially among youth and aboriginals—alienation, crime, loss of esteem, poverty, mindless violence, perpetual welfare, homelessness, and family collapse.

This is the harvest of decades of irrationalism. More of the same will not work. To cure this crime against society we must allow our weakest workers to compete on wages, abolish the taxes on jobs, and slash the sit-down wage.

There never has been and never will be a shortage of work to be done. There is a shortage of jobs which is manufactured in our Parliaments. It could be cured by repeal of all the obstacles to employment put there by politicians of all parties.

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ISSUE No 125, September 1996

Foolish Fiscal Fallacies

Every election cycle spews up yet another foolish fiscal fallacy. Most of these slogans are designed to convince tax-payers they should lay more offerings on the altar of the fiscal fiend. The latest battle-cry in the never-ending war on the net- payers-of-tax is 'Balance the Budget'.

A balanced budget is not necessarily good. The Soviet empire aimed at a balanced budget for decades—'they take 100% of your income and spend it all'. Whether a balanced budget is good or bad depends on the level at which the balance is reached.

Symptomatic of our problem is the recent \$1 million Audit Commission which found there had been overspending (surprise, surprise), predicted a growing deficit and gave the Treasurer just what she wanted—justification for new and higher state taxes.

The Federal position is no better with Bernie Fraser calling on the Feds to increase taxes in order to balance the budget.

The two party system provides an infallible tax ratchet—Lib governments seldom fulfil their election promises to cut taxes, but they invariably push up taxes to 'balance the budget'.

The alternate government, generally supported by a largely innumerate and irresponsible media, then seeks to buy the election by promising increased handouts to every layabout, tax-consuming group in the land.

They eventually buy enough votes to get elected, and immediately bust the budget to payout on election promises. Eventually a disgusted electorate throws the Lab government out and puts the Libs in, on promises to cut taxes and balance the budget.

The effect of this Lib-Lab cartel is that Libs raise taxes for Labs to spend. And like elected politicians everywhere, they all spend whatever the tax system will raise plus a lot more.

So, the last thing we want from the Libs is a balanced budget. What we want is a government which has a number one priority to cut taxes, and a secondary priority to cut government spending. Budget deficits are OK as long as taxes and spending are coming down, fast.

A balanced budget is a gift from heaven to the big spending Labs. It will probably cope with three years of their profligate spending before the financial markets wake up and start revolting. The wastrels can then hand over the mess to the sober men in blue suits who will fix up the mess largely by increasing taxes, another gift to the next crop of glad-handing big spenders.

Both NSW and Victoria talk about enshrining 'balanced budgets' in the constitution or the legislation. I would far prefer constitutional and legislative barriers to increasing taxes. As in so many things, the old boys had it right—bicameral parliaments with a house of spending, elected by everyone and a house of review elected by net payers of tax (however defined).

But, I would go much further.

My constitution would allow tax cutting proposals to pass with one third in favour, but any proposals for new or increased taxes would need two thirds support in both houses. It would also prohibit underhand bureaucratic tax increases by way of proclamation or indexation.

Another foolish fiscal fallacy concerns 'tax reform'. Politicians and tax consumers would have us believe that the panacea of fiscal policy is a new broadbased tax, and everyone has his pet way to soak everyone painlessly. I am not interested in any proposals for a new Tax Utopia because all such talk allows politicians to avoid the real problem—how to cut government expenditure and slash the total burden of tax. I support Milton Friedman—I am in favour of cutting any tax at any time for any reason.

The only way to control the tax-crazed government monster which is devouring the substance of the nation is to cut off its income, even if that causes a deficit. The burst of savings, investment and prosperity that follows every tax slaughter will soon start easing the deficit, and a bit of mayhem on government spending will then eliminate it.

There is another problem with the 'one-big-new-tax' brigade. It will probably be run as a federal tax, or at least a tight state-cartel.

Delivering any more taxing power to Canberra would be a disaster far bigger than any harm caused by the present shambles

called a tax system. A state cartel would be nearly as bad as it removes any possibility of tax competition between states. With decentralised state-controlled taxes, just one responsible State Treasurer can provide a welcome curb to the taxing ambitions of the fiscal fiends across the border.

‘Privatisation’ is another good idea being perverted by scheming or stupid governments. For over twenty years I have supported the sale of all government business ventures including such worthies as the ABC, the Universities, the Wheat Board, Telecom, Australia Post and the railways. So I like the idea in principle.

But I don’t like two aspects of most privatisation practice.

Firstly, marketisation is more important than privatisation. I would prefer a Telecom owned by the government, but open to full competition and with no government support or subsidy rather than a privately owned Telstra/Optus duopoly protected or hindered by various statutory controls on competition, pricing or whatever. The Two-Airline Policy was a failure. Let’s not replace it with a Two Phone Company Policy.

Government assets are usually purchased by IOU’s on future generations, but the IOU’s are seldom redeemed with the paltry profits generated by most government businesses. For example, on the 50th birthday of the Sydney Harbour Bridge it was revealed that the initial construction loans were still outstanding (maybe this is where the term ‘bridging finance’ originated?)

Therefore, another fiscal imperative of privatisation policy is that the funds from the sale of assets must be used to retire long term debt, not blown on current consumption (ostensibly to ‘balance the budget’).

However, with the asymmetry characteristic of so many government policies, if they buy assets, they are ‘off budget’ and not counted toward the deficit, but if they sell assets, they are ‘on budget’ and help to achieve the magic balance.

Any farmer can tell you that selling off the back paddock to pay for a family party is a sure way to bankruptcy, especially if the family is large, and the parties occur every three years.

Politicians like slogans, especially if they obscure the need for hard decisions. The principles of fiscal policy are clear and simple, but application of them requires more than simple slogans.

The current by-partisan policy on the budget is simple—half goes to pay the public service, half goes on welfare and half is used to service the national debt (watch what they do, not what they say).

Slavish support for ‘a balanced budget’ or ‘privatisation’ is nearly as bad.

It is OK to support a ‘balanced budget’ providing it is obtained with government share of national income not exceeding 20%. It is OK to support ‘privatisation’ providing the receipts are used to retire the national debt, and all statutory monopolies are abolished.

Most of all, governments have got to learn what ‘Hungry’ Tyson learned, decades ago—‘the art of spending nothing’.

Santa Claus can control the House of Spending as long as we have a majority of Scrooges in the House of Veto.

Common Sense

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Thomas Paine

ISSUE No 126, November 1996

Cutting Red Tape

History suggests we cannot rely on government to reduce bureaucracy.

For example, in 1824 Thomas Jefferson said:

I think we have more machinery of government than is necessary, too many parasites living on the labor of the industrious.

The growth of the bureaucracy continued. One hundred years later, in 1930, Franklin Roosevelt said:

If we do not halt this steady process of building commissions and regulatory bodies and special legislation like huge inverted pyramids over every one of the simple constitutional provisions, we shall soon be spending many billions of dollars more.

Growth of the bureaucracy continued.

Closer to home. every state and federal government elected in recent decades promised to cut red tape. Some probably even meant to do it.

But what happened? They set up a committee. That committee sat and heard evidence from those with sufficient time, anger, self interest or money to make an appearance. It was all edited, printed, bound and delivered. Little more occurred.

The butterflies in parliament felt good about an election commitment fulfilled. The government PR machine trumpeted 'Red Tape to be Slashed'. But the poor toads beneath the harrow points of the bureaucracy knew better—nothing had changed.

Growth of the bureaucracy continued.

Most enquiries into 'Red Tape' are a complete waste of time because they focus on the symptoms of red tape not the causes.

Red tape is a poison ivy which is nurtured by the bureaucracy. But it is planted in parliament, often at the urging of vested interests or a media who repeat, night after night, their mindless mantra ‘Government orta do something about ...’

Almost everyone agrees that ‘bureaucracy’ is bad (except when it is defending their particular privilege). But few people ever think what the term means.

Many people believe the solution to bureaucracy is ‘creative leadership’. This is not a solution, but a dangerous invitation to replace bumbling but well meaning bureaucracy with autocratic and arbitrary despotism. Even though bureaucracy is often slow, costly and frustrating, it tends to reach predictable conclusions which are in conformity with known rules. The call for ‘positive leadership’ is the road to a greater evil—oppression of minorities and inter-class confiscations. At the end of that road stand the coercive utopians such as Stalin, Hitler, Mussolini, Mao and Castro.

Bureaucracy and big government are blood brothers. One cannot exist without the other.

When society was organised as tribes, the clan chief could be legislator, policeman and judge. His rule could be just or oppressive, but his word was law. No delegated sub-chiefs were required.

Once the clans and tribes grew into city states, then into nations and then into empires, the chieftain grew into an emperor and was forced to appoint provincial governors to enforce his will.

To ensure his commands were obeyed consistently in the far corners of the empire, the emperor’s laws had to be written down and administered by paid officials.

Bureaucracy was born (the mandarins of the Ming dynasty set the style for all future bureaucrats).

Essentially, bureaucracy is a system of administering and enforcing a series of edicts which do not necessarily have a consistent objective or follow a common principle. That is, no one can deduce what the law is simply by reference to a set of fundamental principles.

The role of the bureaucrat is not to make the law, or to question the logic or purpose of the law, but to devise a system of policies, forms, licences, permits, taxes, reports and returns which enforce, fund and monitor each law or regulation. This book of rules then governs how each bureaucrat treats each special circumstance. Because of the diversity and ingenuity of human action, the bureaucrats are forced to continually add to the book of rules to

cater for new circumstances. Those more adventurous bureaucrats who 'cut the red tape to get things moving' are soon accused of arbitrariness or favouritism, and are forced back to the protection of the rule book.

A lack of guiding principles and a multitude of rules and regulations is an inevitable result of bureaucratic management.

The alternative to bureaucratic management is management by objectives, which is the dominant management method outside government.

In industry, the objective of management is maximisation of the value of the firm to its owners. Given this objective, the manager is free to choose how to go about achieving it, within the law.

For a cricket team, the objective is to win the game, within the rules of the game.

For an army, the goal is victory and the commander is constrained only by his conscience, and his own military law. (An internal bureaucracy then communicates and enforces the commander's orders.)

Within any large organisation there are areas where bureaucratic management prevails. It flourishes in 'service' departments where it is difficult to determine the 'value' of their product. But even in the biggest and most ossified private corporation, the managers with defined objectives dominate the bureaucratic elements. If not, the organisation fails. (It may fail without bureaucracy, but, unless protected by government, it will certainly fail if bureaucracy gains the upper hand in management.)

One of the great tragedies of this century has been the expansion of government owned business enterprises. Unwilling to allow their pampered pets to stand or fall by selling their products in an open market, governments start constraining them by rules 'in the national interest'. The clamour of vested interest soon creates the need for 'special circumstances' and legislative monopolies are established. The rules become more complex, the bureaucracy larger, and the value-added sinks to zero and below.

For any government wishing to cut red tape, the very first rule is—abolish all statutory business monopolies and force every government authority or corporation to compete on the open market with fees for its services. Those that provide a good service at a competitive price will survive and prosper. Those that don't should be allowed to quietly abolish themselves.

What about the fair dinkum bureaucracies providing no real product or service that can be sold for cash in an open market?

It is a waste of time hacking at the branches of bureaucracy—one has to grub out the roots. Bureaucracy is born in parliament—that is where the roots are planted.

Every minister should be required to produce a list of all the laws in his portfolio and the bureaucrats who administer each one.

Every minister should then be required to divide his laws into ‘General Rules of Just Conduct’ (applicable to every citizen or firm) and ‘Special Interventions’ (designed just for ‘the dairy industry’, ‘aboriginals’ or some other pressure group).

‘General Rules of Just Conduct’ are like the 10 commandments, and could be set in stone. They prohibit murder, assault, theft, trespass, fraud and deception; they register property and contracts and, if necessary, defend rights acquired under them; they maintain police, armies and quarantine services to defend the society and every member in it; they manage government assets and raise revenue in a simple, consistent and non-discriminatory fashion.

‘Special Interventions’ are all the rest, including all the special rules which limit or control the content of contracts, the right to work, the conduct of trade, the setting of prices, the use of property, private personal commerce between consenting adults, and all taxes or subsidies aimed at social engineering.

All ‘Special Interventions’ and the bureaucracies dependent on them should be abolished, preferably in the reverse order in which they were introduced—ie ‘last in, first to go’.

Unfortunately neither the state or federal governments have read the Red Tape file. Mine is 6 inches thick and goes back 24 years. It reads like a stuck record ‘Election promises, set up a committee, file the report.’ True to form, both of the current state and federal governments have established a committee without instructing that committee how to distinguish between ‘Rules of Just Conduct’ and ‘Special Interventions’.

Until someone recognises the nature of bureaucracy, and chops out the roots, the current promises to cut red tape will prove to be just as empty as all the previous ones.

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ISSUE No 127, January 1997

Pushing on a String

Pick up any newspaper and you will surely see an article on why, when, how or if government is going to save the economy/small business/the farmers/the currency or the marginal seats by reducing interest rates. Every statement by Reserve Bank or Treasury officials is analysed for hidden clues; every mix-statement by every loose-lipped politician flashes quickly around the world on the dealers' screens; every monetary statistic is seen as a reason for the price of money and other assets to rise or fall. Fortunes, and the reputation of forecasters, are made and lost on correct calls on the size and direction of the next government interest rate fiddle.

Judging from their monetary policies, and their morbid preoccupation with throttling interest rates, most politicians would probably agree with James Lowell who said 'I don't believe in principle, but I do believe in interest'.

Interest is merely the price of money, so manipulation of interest rates is just another form of price control, and just as destructive and distorting. And the consequences are always perverse.

Attempts to control the price of money go back into prehistory.

During the Middle Ages and before, the payment and receiving of interest (or usury) was prohibited in most Christian and Moslem societies. As few people are prepared to lend money for no interest, these bans on usury merely reduced the amount of money saved or lent, and left the money-lending business to the Jews, who had no such stupid scruples. And only those in desperation sought out the despised moneylenders—Governments during wartime and the poor during famines.

Money is the mother's milk of trade. Trade flourishes on a steady diet of good mother's milk, and dies if it dries up. Sound money retains its value and encourages savings, investment and trade. But since the dawn of the Century of Inflation (it started with the Great War, in 1914), governments have tried to monopolise the production and supply of monetary mother's milk by keeping it all in a big tub under a leaky tap. Timid taxpayers arrive each day to add a litre or two to this tub. Fat money-lenders add to the tub by the bucketful.

Every election, there is a fight to buy votes by showering everyone with cheap mother's milk. The tap is turned on and watery milk overflows into the troughs around the monetary milk-room.

This produces a mad scramble around the troughs for the free milk, and the watery stuff becomes less valuable to all who are forced by legal tender laws to use it as a trading instrument. Occasionally, one big pig gets into the milk-room and jumps right into the tub, causing a great flood. When they get him out, the overseers have to crack the whips to speed up the long lines of tax slaves shuffling to the half-empty tub with their contributions of milk. When even the whips on taxpayers and the bribing of money-lenders fail to fill the tub, the tap is turned on.

Two groups are always in favour of watering the monetary milk—habitual borrowers, and those with their noses in the government troughs. The debtors like to repay the money-lenders in devalued watery milk, and the pigs like to see plenty of overflow, even if it is a bit watery.

Those who loan money are aghast whenever the tap is turned on and immediately demand a higher price for loaning full-cream milk and getting repaid in watery whey. We thus see the first factor pushing up the price of money inflationary fears by lenders.

Governments of course, deny that any dilution is going on in the Treasury milk-room. All doors are locked and the shutters closed. Only the high priests are allowed to touch the tap. Uncertainty, coupled with well founded suspicion as to where all the slops are coming from, causes lenders to add a risk premium to the asking price for those wanting to borrow their milk.

Half-hearted deregulation of the world monetary and banking system has had one very unfortunate result—it has left interest rate manipulation as one of the few levers left to governments.

Because borrowers are always more numerous and often more desperate and vocal than lenders, the reality of vote buying indicates

that government interventions are always biased towards keeping the price of money below its market rate.

This causes short term joy for lenders but long term problems for everyone.

Firstly, cheap money discourages saving and encourages consumption. It also penalises the thrifty and rewards the over-borrowed. It is usually achieved by watering the monetary milk, which causes holders of money to exchange it for real assets—this causes inflation in the price of real assets, even unproductive ones like palatial houses, works of art, coin collections and jewellery.

Borrowing allows consumers to live beyond their means, for a time. But once the money is spent on boats, cars and renovations, the repayments have to start. Payback will force a decline in debtors' living standards. Consumption slows and retailers feel the squeeze. Business also declines as those who live on the now reduced interest earned from their savings tighten their belts. There are more calls for 'cheaper money to encourage business'. But despite the cheap money, business does not improve because ever more debtors are reducing living standards to repay past debts. As the Japanese have found, you can't push the business dog with the interest rate leash—leashes are only effective in holding an exuberant dog in check. A sick or frightened dog won't run even on a loose leash—it's like pushing on a string.

The ancient phobia about usury is still reflected in laws about the maximum rates that can be charged by moneylenders and loan sharks people whose image is even below that of rapists, thieves, bankers, mining companies and politicians. The perverse result of these laws is that those with the most desperate need of money, and the worst security, are unable to borrow any money.

Perhaps the most unhealthy aspect of interest rate control has been the special interventions to maintain artificially low rates for building industry borrowers. This, plus the existence of capital gains tax on every other asset, means that the major investment of Australia is bricks and mortar—private palaces for individuals and ivory towers to house the hordes of regulators. We are on our way to becoming the most well housed society of paupers the world has ever seen.

The long-term interests of all Australians are best served if government abandons all attempts to manipulate the price of money and reduces its demands on the capital markets for funding to cover its own profligate spending.

Unfortunately neither the government nor the swinging voters are interested in the long term, or in efficient capital markets. They will have to be taught, by cruel experience, that neither governments nor consumers can spend themselves into prosperity.

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ISSUE No 128, March 1997

Another Timid Tory

Most elections are a time of despair and irritation for the thinking voter—desperate to remove the incumbents but fearful of the alternative. He chooses the lesser of two evils and then becomes furious on hearing that worthy claiming a ‘mandate’.

Occasionally, however, the incumbent seems so widely disliked, and the challenger so promising, that the election becomes a landslide and the new government comes in with widespread support to ‘fix things’.

In my lifetime, three Australian governments came in with high hopes and sweeping mandates—Gough Whitlam, Malcolm Fraser and John Howard. It pains me to say it, but only Whitlam grabbed his opportunity, and, with audacity and conviction, changed the world as his supporters wanted. His slashing of tariffs was the only thing that will prove to have been of long term benefit to all Australians, but he sure did what he promised and did it with verve. He deserves to be remembered as ‘the Great Socialist Reformer’.

Gough Deserves to be remembered as ‘The Great Socialist Reformer’.

We may have survived the Whitlam revolution with far less long term damage had we elected a great Whig reformer to quickly and decisively repeal and undo almost everything Gough had done. But what we got was a typical Tory—a politician with no real beliefs except a dislike of change. Malcolm Fraser presided over the wasted years. True to his aristocratic conservative beliefs, he was a firm supporter of the status quo. He tinkered with everything but presided

over none of the dramatic reforms his election speech writer promised. I, like many other Australians, believed some of his rhetoric and was disgusted with his performance. He deserves the title 'The Arrogant Tory'.

Malcolm Fraser presided over 'The Wasted Years'.

Now we are watching, with growing dismay, another wasted opportunity unfolding.

There are only three distinctly different political creeds, two reform movements and one opposed to all reform. Most politicians carry a confused and contradictory bundle of all three beliefs.

The Ideology of 'The Ant's Nest'

Gough represents one reformist philosophy. This is the ideology of big government. Its central belief is that we are but mindless sheep in a big well ordered and homogeneous flock. In this world, our destiny is to be educated, looked after, controlled and, if necessary, sacrificed by our all knowing and benevolent shepherd on the altar of 'the common good'. It is the philosophy underlying all the coercive utopians—socialism, communism, fascism, nazism, the welfare state and the bureaucratic state.

In the socialist utopia, individuals and minorities have no rights. Their life, liberty and property can be seized by any power freak who can bribe the most voters (I nearly said 'looters') to join his (includes 'her') gang. This philosophy has guided most Australian politicians for the last twenty years, even most of those loudly denouncing 'socialism'.

The Philosophy of The Seagull

The second great reformist philosophy opposes the ideology of the ant's nest. This is the philosophy of the seagull. It used to be called 'Liberalism' before that grand name was stolen and soiled by those whose only commitment to 'liberalism' is that they are liberal with other people's lives and other people's money. So I think we should call the real old style Liberals 'the Whigs'. Like the bilby and the koala, they flourished in the nineteenth century but were shot at by both Tories and socialists and are now an endangered species.

The fundamental Whig belief is a commitment to the inalienable rights and obligations of every individual. Every man

(includes lady) has the right to use his own life and property according to his own values, providing he does not rob cheat, assault, threaten or tell lies to achieve his goals. Some of the great Whig heroes are Adam Smith, Cobden and Bright, Thomas Jefferson, Tom Paine, Carl Menger, Lord Acton, Alexis de Tocqueville, Ludwig von Mises and his disciple, Hayek, Ludwig Erhardt, Milton Friedman, Henry Hazlitt, Leonard Read, Ayn Rand, Roger Douglas, Bert Kelly and Queensland's own Charles Russell and Ron Kitching.

Whigs are tolerant of everything except Force, Fraud and Coercion.

In the Whig world, both the ruled and the rulers have rights and obligations which are spelt out by the constitution, the common law or a widely shared set of values. The Whigs are tolerant of everything except force, fraud and coercion. It is a vibrant varied but unpredictable world. Wherever it has been allowed to flourish, even slightly, it produces prosperity which then encourages a bloom of unsubsidised culture and uncoerced charity.

The third fundamental political group is the conservatives and the name 'Tory' probably suits them best. These people have no reforming zeal

When elected, usually on an unprincipled mixture of meek Whig or Socialist reform slogans, they tinker with the most recent reforms. They give the electorate a breather until, in desperation, the voters turn to another reformer who at least promises dramatic change, even if it usually turns out disastrously.

John Howard. Like Malcolm Fraser, was elected by a strong coalition of Whigs and Tories.

The Whigs hoped once more for a real reformer.

The Tories merely wished to slow down the rate of change and restore some privileges and subsidies removed by Keating (who, in fact, probably introduced more Whig economic reforms than any of the so called liberals. Much as it pains me to say it, I think history will treat him, and John Hewson, much more kindly than is popular wisdom today.)

But Keating was captive to the unions and the tax consumers. Their perks and privileges were off limits to his reforming blow torch. He thus did nothing to help us spew out the three poison pills of socialism—excessive taxes, destructive state welfare and chronic unemployment. These are the only things which should be on Howard's agenda.

The outlook is not good.

Howard is proving to be just another Timid Tory.

A true reformer initiates change. Howard is proving to be yet another Timid Tory. He reacts to change and, if forced to move, does it only if he believes a majority of the 'decent' people are behind him. Contemptuous of minorities he can label as 'extremists', he is in danger of becoming the extremist of the centre—a politician with no real beliefs except in public opinion.

Rather than controlling events, Howard has been captured by events. He has dissipated his support on irrelevant or wrongheaded issues such as gun confiscation, timid tinkering with bureaucracy and welfare, and agonised indecision on racism immigration, tax policy and native title. Luckily, the alternative PM (whatsisname?)—is probably also a closet Tory, so may we have a few more years to slide quietly into boring poverty.

We must spew out the Three Poison Pills of Socialism

Excessive Taxation Destructive State Welfare and Chronic Unemployment

Every Whig with an ounce of intelligence can see that our three big problems (taxation, welfare and unemployment) are merely symptoms whose cause is the same—interventionism. All are manufactured in Parliament and the solution is to adopt the only known cure of the disease of interventionism—a planned and relentless program of repeal. The only way out of the swamp is the way we came in—we must reverse our footsteps until we are back on firm foundations.

Here are some starters for a real Whig reformer:

- 1) Abolish the dole for all able bodied Australians with no dependents. Reduce the dole by 25% every year for all others. Abolish all government make-work, training and employment schemes and get rid of the bureaucracies living on them.
- 2) Abolish all wage controls and remove all laws which support compulsory unionism or marketing monopolies.
- 3) Slash taxes and tariffs so far and so fast that every business and every individual can start accumulating and investing capital, which is the sole source of future prosperity and the only creator of real jobs.

If he moves even tentatively in these directions, John Howard may not retain his approval rating but, like Ludwig Erhardt, he will be remembered as a statesman who took unpopular and unfashionable decisions which showered enormous benefits on future generations.

