

SENSE AND NONSENSE

The nation's in an energy crisis—right? Oil is in short supply—right? No! Certainly not on the West Coast. The trans-Alaskan pipeline has been opened less than a year, and it has produced a vast over-supply of oil along the Western Coast.

The reasons for the over-supply are varied, but most of them are due to the government's interference. There was an overly optimistic estimate of oil demand in the West, but primarily the problem is due to environmental restrictions and continued imports of large amounts of foreign oil. Why import all this foreign oil? Because California invokes environmental standards which have forced refiners to use lower sulphur Indonesian oil. In addition, Congress has forbidden the export of the Alaskan oil to Japan. Instead it must be used in the U.S. so it is shipped via tankers through the Panama Canal to the East Coast, an expensive process for Easterners. The oil companies wanted a tradeoff—ship the excess oil to Japan, and the oil Japan would have bought from the Middle East countries would be shipped to Eastern United States. This would have been sensible and cheaper but the politicians would not permit it. They are protecting the public.

Now the Federal Energy Administration which was supposed to be concerned with a scarcity of oil is perplexed with what to do with this over supply. What will its solution be? Probably make a bigger mess than exists today.

(Reprinted from the New Jersey 'Gargoyles')
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"LIBERAL" ECONOMICS

The tariff dilemma is one confronting all export industries, including some manufacturers who like the primary producer are forced to pay for their overheads at Australia's protected high prices and then be so efficient that they can compete with other nations where overhead costs are much lower.

As far as the cattle industry is concerned a stark comparison of these costs can be seen in the following example:

* In Japan two bullocks will buy a Toyota Land Cruiser (cab and chassis).

* In the UK three bullocks will buy the same vehicle.

* In Australia 31 bullocks are needed—10 times the input price of one of our major trading partners!

J HENUSLER, Pres. United Graziers Association of
Queensland
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THE COST OF GOVERNMENT ?

Sir — Your brief interpretation of George's chapter 4, Book IX of *Progress and Poverty* ('Of the changes that would be wrought in social organization and social life')—February issue, page 15—leads one to ask 'What is the cost of government?' and, further, 'What is government?' And in the course of searching for the answers to these questions in that chapter, one finds oneself in a spreading landscape of conjecture and assumption and idealistic moral opinion which is little help to that quest.

George really lets himself go, in this chapter, in a flight of speculation as to man's true nature and lands in a kind of paradise garden in which all wickedness has been expunged by the elimination of poverty, so that man's inherent loving-kindness is free to produce the truly communist society.

In the process, it seems to me, George flies in the face of some of the more profound conclusions for which he is renowned and revered. For instance, he proposes that government should be responsible for a host of public services that would delight the heart of a Whitlamite socialist. In another place, he appears to accept the common misinterpretation of Adam Smith's argument in support of free enterprise by using the term 'selfishness' in reference to Smith's projection of 'self-interest'.

If you accept the principle of complete freedom of enterprise, most, if not all, the services he enumerates could be supplied by private enterprise, only excepting those which Australians are used to provide through local government (such as street maintenance and beautification). The only restraint required to be exercised by government would be the supervision of franchises, as in the case of electric and other forms of power, gas and water supplies and public transport, to prevent exploitation through monopoly.

Of course, one is working in the dark trying to visualise the extent of revenue likely to be receivable from the Surplus Product, bearing in mind the effect on industry and commerce of the removal of all taxation. On the other hand, how does one assess the likely cost of such essential services as the courts of justice, the police and the defence forces, in the changed situation which the economic and social revolution we visualise would bring about?

There is the question of parliament and its cost in the light of that changed situation, in which its role would no longer be that of discussing the merits of bills providing for the greater intervention of government in the activities of businessmen, or of conducting the phoney warfare of party conflict which today distorts so much so much of what is ironically called government.

There is the bureaucracy, whose present astronomical cost is well enough available. With the wiping out of the countless boards and commissions at present cluttering the path of industry and commerce, not to mention such redundancies as the departments of trade, shipping, labour, transport, etc., the cost of government would be very different from that of today.

George visualises the Surplus Product being sufficiently bountiful to provide funds for 'museums, libraries, gardens, lecture rooms, music and dancing halls, theatres, universities, technical schools, shooting galleries, playgrounds, gymnasiums, etc.' Allowing for the changes in taste and ideas which already make some of these goodies a bit quaint, there is the question of the 'welfare' aspect of providing such institutions by government rather than by the private initiative of interested people providing them as enterprises or of groups anxious to establish them as a co-operative form of social or cultural activity. Does one, for instance, make all such facilities available without fee? This would seem to be George's idea; yet haven't we seen the disastrous consequences of such a policy, during and after the Whitlam regime, in, for example, the case of tertiary education?

The problems are endless and seemingly imponderable in the context of our present anarchic situation, in which we are drifting towards the cataclysm of authoritarian despotism. Yet this is not to suggest it is a waste of time to speculate on such problems; on the contrary, it is a way of keeping our heads above water and our eyes on the goal of freedom. Some day our feet may touch land and we may emerge clear-eyed to set about the task of building the truly free society, the better prepared for the task for having given thought to it in advance.

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INFLATION — F E E'S VERSION

Sir — The editor of *THE FREEMAN*, the otherwise excellent monthly publication of the (U.S.) Foundation For Economic Education, does not tolerate correspondence commenting on any of its contents. The Australian counterpart of the Foundation, operating from an address in Queensland, has no similar vehicle.

One can only request, therefore, space in *GOOD GOVERNMENT* in which to challenge a recent statement by Dr Henry Hazlitt, in an American publication, *REASON*, of August, 1978* headed *Inflation in One Page*, which asserts that 'The sole cause of inflation is the printing of more money' (than is required to balance the budget), and that 'unemployment is mainly caused by excessive wage rates in some industries, brought about either by extortionate union demands, by minimum wage laws (which keep teenagers and the unskilled out of jobs) or by prolonged and over-generous unemployment insurance'.

As I have endeavoured to show in my forthcoming book, *TOWARDS THE FREE SOCIETY**, the cause of inflation is complex, despite Hazlitt's denial, but that the basic cause is the imbalance in the economy created by the failure of the government to collect the natural revenue of society, the Surplus Product, or economic rent, and its consequent recourse to taxation. A secondary cause, stemming from the first, is retention of the discredited Keynesian macro-economic theory of 'economic management' with its control, and mis-use, of the money supply and the manipulation of 'credit'. The imbalance is further aggravated by the inevitable growth of the bureaucracy and of the 'welfare' system.

Unemployment is the result of the policy of Protectionism and the effect of government intervention in the management of industry. It, in turn, is aggravated by taxation and the consequent cost-inflation. Excessive wage demands are the natural result of the general mismanagement and of the misguided protectionism adopted by the trade union movement in self-defence.

What we are really suffering from is a modern version of the European mercantilism which Adam Smith assailed. Its new name is State Capitalism, versions of which will soon be indistinguishable in either the so-called West, the Soviet system or the 'third world'.

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* Circulated by the Australian F.E.E.

** See Also Knud Tholstrup's excellent booklet *ECONOMIC LIBERALISM AND A R Cannon's DEPRESSION, INFLATION AND EMPLOYMENT*.

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Sir — Recently there have been frequent complaints about land tax.

We are certainly overtaxed, and land tax should not be increased without remission of other taxes.

But what about sales tax, which has escalated dramatically in recent years, and which hits lowest groups hardest?

What about income tax, which because of inflation has made increasing inroads on real wages in recent years, which deters productivity and enterprise, and which is costly and complex to collect?

What about payroll tax, which is a penalty on employing others and which, according to Melbourne University economists, effectively displaces tens of thousands from employment? What about high tariffs, which mean dearer prices to Australian consumers, and hardship to our Asian neighbours denied access to our markets?

Land tax as at present administered has various blemishes. Yet in principle it is the best and fairest form of revenue, since it requires landholders to pay in accordance with community-conferred advantages surrounding their sites.

(Cont. on page 10)

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