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The Expansion of the Sovereign State

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THE POLITICAL CLIMATE in Australia is at fever pitch again. The forthcoming federal election makes it a certainty that politics and political issues are kept before the people. Public debates in the media by both politicians and voters will occupy the air waves and printed pages daily.

Pauline Hanson's One Nation Party has assisted in the public debate. Not for a long time have we seen political parties divided by the emergence of a new power base that, in order to survive, needed to establish its own political structure. Queensland, supposedly home of the conservative voter, has provided the voter base for One Nation to launch itself into National politics.

Yet One Nation, despite its appeal for such a large percentage of the voting public, has been divisive in other ways. After the Liberal-National Party support with preferences for One Nation in the Queensland election backfired so terribly for them, the major parties have united on putting One Nation last on their preferential tickets. It will only be after the forthcoming election that we will see the outcome of this strategy.

It is questionable whether the level of political debate has improved with the emergence of a new party. Certainly it has helped in focussing voters' attention on some issues. But old errors, in the guise of a misguided attempt to help fellow-Australians, continue to be offered as the solution to the nation's woes. For example, it is still suggested, if not outrightly stated, that the cause of unemployment in this

country is foreign labour. Either foreign labour directly enters the country thereby allegedly taking jobs from Australians, or indirectly enters the country through the manufacture of cheaper foreign goods which are imported, thus denying Australians the chance to produce the same goods.

This argument is a superficial proposition to a more complex issue. We are, in effect, offered an unstudied answer to a difficult problem. Those who think they have the solution confuse their own interests with those of whom they offer to help. They believe, for example, that by prohibiting the influx of foreigners that somehow this will solve the unemployment problem *when it has never been established in the first place that we have an oversupply of labour*. It is the oversupply of labour that somehow attracts people to conclude that by restricting the amount of labour we somehow make everyone else better off. This is a phony argument, but offered nevertheless by politicians on all sides of the political spectrum to a greater or lesser extent.

On the surface, it seems correct. We see, for example, that there is a glut of potatoes and potatoes remain unsold in the marketplace. This is the economic equivalent of unsold labour, and people somehow conclude that the *solution* to this problem is therefore the restriction of the oversupplied commodity so that no unsold capacity arises. But there are some missing items here which make it *impossible* to agree that a legislated restriction of the supply of *any* commodity is the way to

ensure no unsold goods remain in the market.

The superficiality of their argument is even more obvious when we consider the solution. Those who tell us oversupply is the cause of unemployment, and then insist that it is only the oversupply of *foreign* labour are not even close to providing evidence of their case. How can we know, for example, that if foreign labour was banned Australian workers would step up to fill the vacancies? If Australians are unwilling or unable to fill the void left by the foreigners, then foreigners are not causing unemployment but Australian workers themselves.

Furthermore, is the unemployment rate universal in all areas of the nation? If not, perhaps the higher unemployment in one area is caused by the number of Australians leaving other areas relocating to the area, which now has higher unemployment as a result. For a number of years, Queensland has been the recipient of a large number of interstate migrants who have boosted its unemployment rate. Now ask yourself this question: who is causing the unemployment in this situation, foreigners or national Australians?¹

It is a tragedy that foreigners become the scapegoat for poor economic analysis. Why the haste by some to believe such an inferior and incorrect explanation of unemployment? What possible motives could people have for accepting propositions which, in blunt terms, are ludicrous?

There may be a number of answers, but we are tempted to believe that the

1. For a readable explanation of the economics of unemployment, see W.H. Hutt, *The Theory of Idle Resources* (Indianapolis, IN: Liberty Press, 1977).

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readiness to accept such propositions go hand in hand with the readiness to accept the solution: *government control of the marketplace*. For it is incredible that those who believe in the analysis also believe in the solution. It is not as if some believe in the trivial explanation but do not want the solution. The believers are united in their adherence to both the analysis *and* the solution.

It might be possible to be more tolerant in our explanation of this phenomenon if we found followers of these false ideas who were students of economics. But again, it is revealing just how many people are willing to believe what they are told without exploring the options. They read neither other opinions nor attempt to rationally explain this unfounded belief that mere mortals who cannot solve the problem as private citizens can somehow solve the problem once they are elected to parliament. This, in itself, should raise the warning flag.

When people begin to believe that political power can solve the economic problems of this nation then we seem to have come to the position of accepting the political order as saviour. And this, in turn, raises an even more ludicrous proposition: that man can somehow save himself from the problems that he himself creates by *going beyond his God-ordained boundaries*.

This is the crux of the matter. If we need a framework by which to evaluate the political debate before us, this idea that man is to be his own saviour

through the exercise of even greater political power, provides a religious base to make some firm decisions. Economists have known for decades that unemployment is caused not by competing labour but by the market rates for labour in relationship to its supply. That is, labour is being offered in the marketplace at prices that buyers are unwilling to pay. Economists also know that there is no easy definition to the term "unemployment", since people who refuse to take a job because it is in the "wrong" industry or because of poor pay or other reasons, are not really unemployed but are exercising a choice in the market to withhold their labour until conditions suit them. The tragedy is that our welfare system allows people who are withholding their labour to receive welfare assistance, thus causing them to be counted as "unemployed."

It is because of the lack of real economic analysis on the part of those saying that foreign import of labour should be restricted that creates the difficulty for us to accept their cause. No supply-demand analysis, no discussion of labour wage rates and their impact on unemployment, and then the notion that the political order can save the day. These are more than enough grounds to render their cause inadequate to command our support.

Will the GST Save Us?

THUS FAR OUR COMMENTS have been limited to the issue of unemployment. We have argued that the poor economic analysis of unemployment becomes justification for the establishment of a new religion: the religion of the political state. This is the belief that the God of the Bible is irrelevant to the affairs of men outside very narrow areas and that the nation's major problems can be resolved by "right" policies and their correct implementation. Even many Christians currently elected to our federal, state and local offices believe in this religious view. Thus one politician was heard to comment recently that he would be glad when campaigning for votes would cease and he could begin the important work of policymaking.

One would think, for starters, that we already have enough policy. A person finds it difficult to do anything these days without a policy at some level of government to guide us on our way. We may not use our land without appropriate zoning approval; we cannot build what we like without undertaking an EPS (Environmental Impact

Study); we must pay for the privilege of establishing a company; we must obtain the appropriate licenses to operate in a particular business field; and most of all, we must pay the price of success, *our tax*.

There will be few people in Australia who are unfamiliar with the issues of taxation before us at present. We have a proposal before us for a GST, a Goods and Services Tax. This, in rather brief terms is a tax on all transactions, with some allowed exceptions, such as education and health. Our present framework of assessing political propositions from the vantage point that they are attempts to establish the religion of the nation-state, with the political order the embodiment of the god of that order, allows us also to properly understand the proposed GST and respond to it.

We might be tempted at this point to put aside philosophical considerations of the kind offered here and argue more pragmatic considerations. The government needs more money to fund its welfare programs; it needs more money to "create" jobs (another ridiculous proposition); and most of all, it wishes to stamp out tax avoidance and evasion. To betray our religious beliefs, however, by sacrificing them on the altar of expediency is not something that we should do so lightly, tempting though it might be. If our desire is to have only one God, and that is the true and living God, then we cannot, without doing violence to that which we profess, give in to the demands of expediency and pragmatism and base our acceptance on the outcome rather than the rightness or wrongness of the proposition itself.

It is curious that again we are confronted with false economic argument to justify further legislative policy that effectively extends the power of the federal government. What is more, though, is that this extension of power is more properly to be seen as an extension of the government's claim to sovereignty. This term, *sovereignty*, a religious term, designates the locus of highest authority. He who has highest authority also claims sovereignty.

Now sovereignty, like many ideas, needs to be implemented in some form. To be a sovereign is to be a law-maker, a ruler, an authority over men and their possessions. This sovereignty is *only* identified and established when laws are made *and imposed* on those under jurisdiction. Out of all possible laws that establish sovereignty, taxation stands out as a key area because it

is so broad in its sweep. Every thing we earn in a society that enjoys the division of labour is taxed by the government as a sign of the government's jurisdiction over us. It does not depend on what the taxes are used for that creates this mark of jurisdiction: it is the fact of taxation itself that establishes the boundaries of jurisdiction. Thus, for example, foreign embassies in a country do not pay taxes to the host nation. To do so would be to place itself under the jurisdiction of the host nation and abandon its own belief in itself as a nation-state religious ideal.

If we now ask ourselves what is the jurisdictional outcome of the proposed GST we can conclude that it is an even broader attempt at taxation by including more economic items (services) in the tax net. At present we can buy our books tax free; there are no additional taxes on the children's music lessons; nor are we obliged to pay a tax on the amount of money we pay to accountants, solicitors, and various other consultants we might use in our journey through life. This might all change.

This broader attempt at taxation, however, is the evidence we need to show that it is also an expanded claim to sovereignty by the nation-state in which we live. In their book, *Tithing and Dominion*, authors Powell and Rushdoony argued thus:

Every tax by the state on both man and his property is, in essence, the claim of sovereignty. It is the claim by the state that it has ownership of, and control over, man and his possessions. If a man refuses to pay the tax required by the state, the state can deny that individual the use of his property and, at times, his life and liberty. The use of a man's life, liberty, and property are contingent upon him paying the taxes. The fact that the state claims the right to deny man his life, liberty, and property if he refuses to pay his taxes is simply the claim by the state that it is the ultimate owner of man and his material goods. Taxation is the means by which the state claims prior ownership and control over all that a man has. This can be seen by the fact that taxes are to be paid prior to the use of a man's property. . . .²

Here then, is the choice before us: to support an outdated taxation system that cannot meet its ongoing obligations for a number of reasons, or to support the establishment of the government's extended claim to sovereignty by supporting the GST. This is

not the way the choice is being framed for us either in the media or by the politicians themselves. Not even the fringe dwellers in politics have a response to this issue, for even the claim of a small two percent tax on all transactions is itself a claim to total sovereignty by the political order.

This leaves the Christian community somewhat in a bind. On the one hand many are dependent on the nation-state in some form. They have their hand in the government's taxing system for family allowance, for subsidised school fees, for subsidised business finance, for legislated protection against foreign goods and services, for subsidised payments for labour; and most of all, for the "security" of an old-age pension and medical care. Perhaps many are depending upon government as their key business customer, without which their businesses might evaporate. Consequently, there can be no reform of the taxation system along Christian principles until these issues are dealt with and alternative solutions found and implemented.

End of an Era

THE NATION-STATE, however, faces major problems. Its attempts at sovereignty are facing challenges it cannot meet. Either it must destroy itself by bringing in even tighter controls, or else it must recognise its limitations and move away from the controlled economy. Such a move by those in power will not come easily, because it challenges some strongly held beliefs about politics and economics. According to Peter Drucker,

The modern national state was built on the theorem that political territory and economic territory must be congruent, with the unity of the two forged by government control of money – a startling heresy when it was first propounded in the sixteenth century. The code word for this new politico-economic unit was the term "sovereignty." Prior to the late sixteenth century, economic and political systems were quite separate. Money was basically beyond political control except insofar as the Prince made a substantial profit by reserving to himself the right to mint coins. . . .

The modern national state was born with the assertion that money and credit have to be controlled by the sovereign and that the economy has

to be integrated into the political system, if only to provide the Prince with the means to recruit and pay his mercenaries. The modern national state created national markets within which both long-distance commerce and local trade were unified. "Sovereignty" reached its logical climax in Keynes's theories of the late twenties and early thirties which, in effect, proclaimed that a country – or at least a major country such as the Great Britain of the day – could manage its economy irrespective of the world economy, and largely independent of economic fluctuations and business cycles, by managing and manipulating money and credit.³

The ideas of managed money in national regions and world economic trade compete with one another. Foreign trade always involves the two currencies of the trading nations, and traders are unlikely to stop evaluating other currencies in relation to their own. Recently, the Malaysian Prime Minister instituted currency controls as world markets continued to beat down the value of the Malaysian ringit. The result? Across the border in Singapore, banks continued to trade in the Malaysian currency, thereby defeating the attempts of the Malaysian government to shore up its currency's value with controls.

The "sovereign" state is in disarray. It is being challenged at all quarters. Yet we are surprised that in this country well-meaning Christians and others support fallacious arguments that continue the life of the all-controlling nation-state.

Our Response

A RESPONSE IS REQUIRED. We cannot ignore these issues. The Asian crisis if nothing else, is evidence of a broader base for the discussion. Underlying the Asian crisis is an unwillingness to admit that this is the outcome of government policy. We might ask how it is that so many businesses have made such huge blunders in their economic forecasts. Are businessmen less adept than their forefathers in predicting outcomes? Or is it as some economists have argued that government manipulation of the money supply destroys the ability to make correct business judgements?⁴

On the other hand, the increasing inability of governments around the world to meet their welfare obliga-

2. E.A. Powell and R.J. Rushdoony, *Tithing and Dominion* (Vallecito, CA: Ross House Books, 1979), p. 35.

3. Peter F. Drucker, *Managing in Turbulent Times* (Oxford: Butterworth-Heinemann, 1980), pp. 162-163.

tions is placing increased pressure on a system on the brink of collapse.⁵ The Internet is eroding the tax base as fast (or even faster) as tax avoidance and evasion is gaining ground. In tough times people will do everything to look after themselves, and if nothing else, all are agreed we are in tough times. Business transactions across borders do not attract tax because of the sovereignty issues outlined above. The imposition of the GST is hardly likely to discourage people from buying in tax-free jurisdictions, and the world-wide-web is the tool that makes this so easy to accomplish.

Thus, we have some difficulty in seeing how a broadening of the tax base is a proper answer to the question at the heart of what is transpiring on the political agenda: who will save us from these economic problems?

What program of reform will we adopt; or, rather, *whose* reform proposals will we implement. In other words, who shall be our God and define our economic procedures and political practices, God or the nation-state?

Who will be the final arbiter of what is good and bad in terms of policy, God or man?

Who is it that determines the boundaries of the taxing powers of the government, God or man?

Who is it that shall save man from his folly, God or even more government-legislated policy that enhances the power of the government?

Our responses will indicate who will be our God, and to whom we will pay taxes as a sign of our allegiance.

Our response to this is mixed. On the one hand we recognise the practical issues. We need a welfare system of some kind. People need an economic safety net. But is it the role of the political order to grant these and trample on individual liberty, initiative and God-given rights? We think not.

Therefore, our response to the GST and any other broad-based tax program is not so difficult to understand.

Nor, on the other hand, do we believe that the alternative offerings to taxation in any way resolve the issue of sovereignty. While the GST will place a tax on services currently not taxed, it does little to alleviate that other all-embracing tax on income. This, too, is a broad-based tax, designed to catch every wage and salary earner over \$5,400 per annum. It too identifies the sovereignty of the government over the total wealth of the citizens, and again is a mark of the state's rejection of God as sovereign and a mark of its own self-proclaimed sovereignty.

What Can Be Done?

PERHAPS YOU ARE OSCILLATING on this issue, unsure of your response. Perhaps you have not even given consideration to these issues. On the other hand, perhaps like some others, you have embraced curious justifications that require the political solution to economic issues. If you fall into this last group, then here is the challenge: to show why it is that only foreigners are the cause of unemployment and not the price-level associated with current labour supply rates. If you believe that other nationals coming to our shores can cause unemployment, then you must also accept that interstate migration can cause unemployment as well. Consequently, interstate immigration should be halted with the same fervour and authority that it is intended to halt foreigners landing on our shores.

If you wish to maintain support of these incorrect economic ideas, then you attempt to provide some credibility to the idea that it is the nation-state through the political order that can solve these economic problems. In which case, you might also provide evidence why it is that politicians, and not individuals in community, are the

only people who can solve these issues.

More importantly, you must argue that our highest allegiance must go to the nation-state and its political order and not God the Father, Almighty, maker of heaven and earth, and His only begotten Son, Jesus Christ, *our Lord*. You must show why it is that the political order can exercise total government (i.e. predestination), when the very same notion is denied to God.⁶

In short, you must tell us why we should worship a false god. This is a tall order. But there is an alternative. Deny to the politicians the sovereignty they claim and the predestinating power they seek over the lives of the citizens. This, we believe, is what true Christianity demands. Nothing less than total surrender to God, proclaiming Him as God, and living under His jurisdiction and His laws. And while we recognise that this establishes a real *but limited* role for the national-state, it does not permit the state to become God; it does not permit the state to impose a GST or a broad-based wages and salary tax. Nor does it permit the government to confiscate wealth of some citizens and redistribute it to others (less administration expenses, of course). It denies to man-made government the notion that it can solve economic problems by closing national borders to foreigners, just as it demands that the same political order should uphold justice and righteousness for all – equality before the law, God's law, not its own, irrespective of race and colour.

For this end Jesus Christ came into the world. Not just to save sinners from their continual efforts to establish false gods, but in order to establish a new order. His order would not be like that of the old Adam, conceived in rebellion to God, but based on the New Adam, who alone is able to establish the new humanity with Himself at its head, an order based on total obedience to God Almighty, the true Sovereign.

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4. See various authors, *Economic Calculation Under Inflation* (Indianapolis, IN: Liberty Press, 1976). Inflation in this book means expansion (i.e. inflation) of the money supply (not rising prices).
 5. See: on Australia, Alan Tapper, *The Family in the Welfare State* (North Sydney, NSW: Allen & Unwin, 1990); on New Zealand, David Thomson, *Selfish Generations: The Ageing of New Zealand's Welfare State* (Wellington: Bridget Williams Books, 1991); on the USA, Marshall N. Carter & William G. Shipman, *Promises to Keep: Saving Social Security's Dream* (Washington, DC: Regnery Publishing, 1996).
 6. Predestination is too often confined to the concept of an individual's salvation. Properly understood, predestination means total government, the ability to ordain and control whatever comes to pass. When men deny predestination to God, they attribute it to some other entity such as the political order. Not surprisingly, those who deny God's predestination are the vocal followers and ardent supporters of the predestinating, all-controlling, all-legislating, all-powerful, political order.