



*CATO Institute's 'Transition to Freedom' team in Russia—
September, 1990*



*An appreciative Moscow audience tunes in to the free market—
September, 1990*



*Bridgett Wagner (USA), Wolfgang Muller (Germany), Mart Laar
(former Prime Minister of Estonia) Iceland 2005*

Sir Arvi's Work Abroad

In September 1990, I was included in a team of 40 economists and advisors and sent off to Russia (Moscow and St. Petersburg, which at the time was tumultuously undergoing another name change from Leningrad). Our challenge was to explain to the Russians how free-enterprise actually works, because it was arriving the following month.

To any of the Russians listening, my story—about how to get 500 people together, who trusted you sufficiently to give you their money so you could float a public company to discover and develop resources with the promise of sending them dividends—was about as close to science fiction as they'd ever come.

However, the full weight of this challenge sank in when I realized that they had no secure or enforceable property rights, no system of titles, and no legal system of dispute resolution. I came as close to despair as I've ever been. We often forget how blessed Australia is with our heritage of the rule of law.

One of the other delegates was from Estonia. A Mr Trivimi Veliste, the President of the Estonian Heritage Society. Mr Veliste explained to me that, for so many years, Sir Arvi had supported his country of birth with optimistic encouragement and constant advice on how best they should rebuild their economy which had long been shattered and destroyed by communism.

At another event in Iceland in August 2005, I met the Honourable Mart Laar, the twice-serving Prime Minister of Estonia, who had effectively brought in so many successful economic reforms that the Estonian economy was up to a brisk trot again. I was curious to know why Estonia had been courageous enough to introduce a flat rate tax when so many countries, including Australia, simply talked about it, agreed that it would be a good idea and then closed the book on it.

Mart Laar modestly commented that his being an historian, rather than an economist, was good for Estonia, as one of the first things he did on being elected Prime Minister was to ask for a good book on economics, so he could gain some ideas on how to get their stagnant economy moving. Someone gave him a copy of *Free to Choose* by Milton and Rose Friedman (it was suggested that Sir Arvi conveniently left them a copy).

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Among the many ideas Mr Laar gained from *Free to Choose* was the benefits to be had by instantly moving to a flat rate tax system, instead of the Marxist-Leninist system of escalating taxes that have unfortunately decimated so many Western economies. I refuse to call our system of taxation "Progressive Tax" as it's more like a "Regressive Tax."

In his self-effacing way, Mart Laar stated that the idea of flat tax was so appealing and simple he didn't realize that he was the only European pioneer to introduce such a tax.

He said that it had proved to be extremely successful. When Estonia introduced it in 1994, at a flat rate of 26 per cent, it enabled his country to enjoy rapid economic growth and pay off Estonia's national debt. Consequently, Estonia has reduced the rate to 21 per cent.

Vladimir Putin's Chief Economic Advisor, Andrei Illarionov, also in Iceland at that time, admitted that Russia's move to a 13 per cent flat rate tax was the best thing it had ever done and Russians were actually paying their taxes, and on time, too.

By 2005, eleven countries in Europe had activated their economies by moving to a flat rate tax system and it was like seeing a snowball in motion.

Now, in 2009, there are 24 flat tax jurisdictions in the world, all in Eastern Europe with the exception of Hong Kong, Jersey, Guernsey, Iceland, Jamaica, Trinidad and Tobago, and Mauritius. The flat rate tax revolution is gaining ground as it quickly rolls from country to country, where competition ensures that the best ideas win.

Why does Australia continue to turn its back on the benefits that would accrue from bulldozing our unwieldy and uncompetitive tax system? How effective a simple paperback book can be in contributing to a tax revolution in almost 30 countries!

Closer to Home

There have been so many times when I've enjoyed the benefit of Sir Arvi's wise counsel, that I'm unable to count them. More often than not, he's usually unaware that he's giving advice—he makes it more like a "thinking aloud" exercise.

Here's an example and it relates to our Australian Mining Hall of Fame.

Sir Arvi is our Senior Patron and took a lead role by making a significant initial personal donation, which set the bar very high for the rest of us to follow.

His initial words of encouragement were, "We have to explain just what the industry does for the community. This would be a very poor country if it were not for the mining industry, so we do have a great deal of good argument on our side".

Then, when we were putting the fund-raising team together, he noticed that we were planning our approaches to companies and organizations and suggesting various ways in which they could be supportive of our project.

His advice to us was:

With great respect, I suggest that it should read ... "or suggest other ways in which the Hall of Fame could support the Minerals Council's (and similar organizations) efforts to show the contribution and relevance of the minerals industry to Australia's future.

In my very limited experience with fundraising (but with a lot of experience in being approached for funds), people find it refreshing if you approach them on the basis of—what can we do for you to justify your support—rather than just asking them for what you want.

His friendly advice led us to revamp our whole method of approach which became so much more effective as a result of that simple, valued input.

The Mining Hall, as you may know, is a \$25 million project that was set up as a gift to Australia's mining industry as a vehicle through which they could showcase the role that the industry plays in sustaining our modern economy and lifestyles, and how mining helps to populate our empty heartland.

It is there to assist the Minerals Council, to help AusIMM, to help AMEC, and to help APEA and all other related geology, accounting, engineering, legal organizations, contractors and individuals with a close affinity to the industry.