

Under an Australian Full Moon: Reflections on Freedom and East Asia



Wolfgang Kasper, a Professor *emeritus* of Economics of the University of New South Wales (Australian Defence Force Academy) and a member of the Mont Pèlerin Society (MPS) of thirty-years' standing sent the note below about the latest MPS meeting to some of his old friends in the West and some new friends in China

Enjoying a dim sum breakfast in Hong Kong

Last week, the Mont Pèlerin Society (MPS) – a prestigious international academy of intellectuals and businessmen, who are committed to a free society and the promotion of classical liberal ideas – met in Hong Kong. Our deliberations focused on past and future developments in Asia, in particular China, and on the importance of human capital, i.e. the role of education, skills, good institutions, discipline and honest governance. The conference program owed much to the late Gary Becker (economics professor in Chicago, Economics Nobel Prize winner and chief mentor of the MPS-HKG Program Committee).

It is clear that the phase of unprecedented, super-fast economic growth in China and the region is giving way to slower, though still considerable material progress. Industrialisation by imitating what has been successful in the West – coupled with attractiveness to internationally mobile capital, technical knowhow and enterprise and success in export markets – is reaching limits. The challenge now is to innovate, adjust and fine tune economic structures, so that productivity keeps rising. This requires above all improvements in institutions, namely adaptations of traditional cultural norms to the modern world and the reshaping of the rules of governance (rule of law, based on democracy, secure rights to private property, life and limb, free speech, free association and other fundamental individual rights). It took Western societies hundreds of years to shape and uphold these values and institutions. And now similar institutional reforms are the greatest challenge to most emerging Asian nations. Those that fail this test will be stuck in a 'middle-income trap' and may drift into internal strife and international conflict. (I spoke about this general dilemma last year in Malaysia¹).

In Hong Kong we were unsure whether India will be able to shake off its deeply entrenched bureaucratised collectivism and the curse of the caste system, and whether the PRC's new political leadership under Xi Jinping will embrace the right ideas, namely the time-tested ideals promoted by the Mont Pèlerin Society. The huge nation of China is at a crossroads: Will it manage to continue growing richer, before the legacy of the one-child policy and past Marxist ideology ensures that China becomes old? Mere demand-side stimulus (such as Japan's misguided, short-termist *Abenomics*) will not do the trick. Indeed, Keynesian money creation and deficit spending, as recently seen in Japan, the US and Europe, only promise future inflation, as has been invariably demonstrated by monetary history. The lazy policy follies of successive monetary easing have now created an addiction among public-sector and

¹ <http://ideas.org.my/wp-content/uploads/2013/11/The-hardware-and-software-to-overcome-middle-income-trap.pdf>

industrial borrowers, which Hayek once rightly compared to heroin addiction. They are likely to haunt us, because the withdrawal symptoms will be painful.

MPS also discussed the recent bestseller by French economist Thomas Piketty, who reiterated the Marxist mantra that "the rich are getting richer, and the poor are getting poorer!" His data are flawed and cherry-picked, he confuses cyclical distortions in income distribution with secular trends and overlooks the tremendous material advance of the 'working class' (Only compare the hours of work needed to buy a car or a week's holiday today with what your grandparents could afford! Or look at enormously improved life expectancy, child mortality and opportunity for cultural enrichment, now and then!) It seems to me that it is better all around to facilitate economic growth and open up channels of competition and vertical mobility than to be motivated by envy, dwelling on relative income distribution. After all, when sitting in Economy in an aeroplane that takes you to a promising destination, are you suffering from the knowledge that some are travelling in Business?

We also heard about the erosion of national self-responsibility and democracy due to the rise of unelected, supranational bureaucracies and government-funded 'non government' organisations (UN, EU, IPCC, WWF, and the entire alphabet soup of unelected, self-anointed single-issue groups, staffed by parasitic elites, who aim to deprive us of our freedom and our self-responsibility). Former Czech President Václav Klaus and fellow MPS'ler, told us that democracy can only survive in the nation state and that spreading supra-nationalism delivers us to the whims and power plays of unaccountable *nomenklaturas*.

Of course, MPS meetings are also occasions to renew old friendships, promote young freedom fighters and make new friends. The historic importance of the Hong Kong meeting was that several eminent academics and policy analysts from China joined us. They impressed by their clear thinking and showed, just how much interesting intellectual ferment has been brewing in the PRC over the past quarter century. It has long been my plea that the "other big high civilisation", which had for so long been hidden from the West behind a political and cultural bamboo curtain, should join us as an equal and that we should embrace our fellow freedom fighters there. My great personal satisfaction now is that it happened in Hong Kong. The great and courageous doyen of Chinese classical liberals, Prof. Mao Yushi from Beijing, was there, as well as eminent and influential younger scholars, who are thinking like us Western classical liberals.

Personally, I had the great pleasure of talking to many of our guests from China about policy issues and learning from them -- only to be told a day after: "Oh, I did not realise that you, Wolfgang Kasper, was the same person as Kē Wǔgāng, who co-authored this book on institutional economics, which I read and found so useful". This gave me the opportunity to put in a plug for the new, much-rewritten Chinese translation, which Commercial Press of Beijing will, I hope, publish soon²... This textbook on Austrian-evolutionary economics is our little contribution to the much-needed competition of ideas in China! Judging by my reading

² W. Kasper, M.E. Streit and P. Boettke, *Institutional Economics — Property, Competition, Policy* (Cheltenham, UK: Elgar, 1998, 2013).

of history in West and East, the ideas that the Mont Pèlerin Society has cultivated, if coupled with sensible Chinese leadership and embraced by the enterprising, intelligent and diligent Chinese people, will advance humanity in decisive and positive ways well beyond my 100th birthday! I cherish the prospect!

To explain why the joining of professional colleagues from the PRC gave me such deep satisfaction, I must talk a little about how my interest in China evolved. When I was a student in Germany, the PRC was an unknowable, threatening entity; the regime reportedly treated the people with incomprehensible brutality. I was curious enough to obtain a copy of Mao Zedong's 'Little Red Book' and found it full of banalities at best. The PRC embassy in Berne, Switzerland (China had no diplomatic representation in Bonn) kept sending me propaganda materials that documented hard-to-believe triumphs of mass coercion. Maybe, the Chinese were different??? In the 1970s, I worked in Malaysia and visited Taiwan, Hong Kong and Singapore and came into contact with the greater, cultural China³ – and met many Chinese people who (of course!) had the same feelings, hopes and concerns like all of us! The PRC then became even more of a mysterious monster to me, lurking across a chasm secluded from the rest of the world!

In the late 1970s, I met a few academic visitors from Beijing in Canberra. We had good, normal collegial discussions about economic development, shared jokes and meals. They struck me as people like you and me, only terribly intimidated and often ignorant, but invariably curious and eager to learn about our ideas and concepts. A rope line, so to speak, had been thrown across the chasm. Soon, a one-log bridge opened, when the Australian Academy of Social Sciences sent me on a lecture tour around China. I prepared myself by enrolling in an intensive immersion course (aka as brainwashing) to learn some Mandarin and found myself one day in 1980 pedaling on a borrowed bicycle around Beijing, surrounded by thousands of other cyclists! In Beijing, when I gave lectures on markets and technical innovation, I felt the cold hand of repression and self-censorship that I had known from East Germany. Then, in Chengdu, Chongqing and Wuhan, there was much more openness. I was the first Western economist allowed to visit Sichuan, where – it had been rumoured in Canberra – amazing economic reforms were happening. And indeed, they were amazing! I visited cheerful country markets, buzzing with competitive activity and productive pursuits, such as tailoring, repairing household goods, and street cooking. I gladly allowed myself to be used by my colleagues in Chengdu and Chongqing: they told me of de facto privatisation of the land and a few industrial firms, which I visited. I wrote this success story up and published it in Australia, so that my Sichuanese friends could then circulate a Mandarin translation within the PRC⁴. I was enthusiastic, they were enthusiastic – only the Maoist fellow travellers in Canberra resented it when I spoke of the "greatest restoration of private property rights in world history" and predicted "a coming bourgeois counter-revolution" in

³ Like the bigger cultural/historical Germany that comprises, for example, Strasbourg, Zurich, Vienna, Prague, Königsberg and Amsterdam, the cultural/historical China comprises Taipei, Hong Kong, Hoi An, Manila, Penang, Singapore and many cultural islands across southeast Asia.

⁴ W. Kasper, 'The Sichuan Experiment', *The Australian Journal of Chinese Affairs*, No. 7, (February) 1981; pp. 163-172.

China. The Australian Maoists were still praising the communes and admiring the propaganda feats of forced labour, when reality was changing dramatically!

Now, all this is fortunately pre-history. At MPS Hong Kong, I watched with deep satisfaction how a lively, multi-lane bridge is crossed by a broad, two-way stream of ideas, indeed how the chasm is being filled in!

I am writing this under the full moon at a beautiful spot on the Australian east coast. I am thinking that our — on a global scale small — nation can play an important historic role in the two-way East-West traffic of competing ideas. We are an outlier of Western civilisation and an economic success, and we have also become much more open to the great civilisations of Asia than Old Europe and insular America. We can transmit ideas from West to East and import ideas from the old civilisations of the East, adapt them and integrate them into something new, something dynamic, something really good!

How very lucky I am to be a tiny part of that at this crossroads in mankind's history! How happy — yes simply happy! — I am about the prospect of our children and grandchildren sharing the knowledge from the great Western and Eastern civilisations — what a great potential of good ideas from cross-fertilisation to promote prosperity, liberty and peace!