

Mannkal's **MUSINGS** MANNKAL TAKES OFF!

2019 edition

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BI-ANNUAL REVIEW

Editor: Eva Christensen



NEWS • SCHOLARSHIPS • EVENTS

MUSINGS

2019 edition

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The Mannkal Economic Education Foundation is a private, non-for-profit organisation established by Ron Manners. We promote free enterprise, limited government and individual initiative for the benefit of all Australians.

Mannkal's flagship activity is our Leadership Development Program, which provides scholarships for Western Australian students to attend conference, participate in international study tours and intern at leading organisations across Australia.

Questions? Please contact Eva Christensen at eva@mannkal.org.

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RON'S REPORT: 'On tour with our Mannkal scholars'

Six of our Mannkal scholars enjoyed the experience of attending the recent Mont Pelerin Society Regional meeting in Texas. Andrew Pickford, our Executive Director, Doug Hall, a Mannkal Ambassador and I equally enjoyed our attendance.

Witnessing full-frontal debates on contentious economic issues is something not often seen on university campus these days (where I'm told that most lecturers appear to have the same opinion). One of the great advantages of the Mont Pelerin Society meetings is that they are without media representation and abide by Chatham House Rules. Both aspects encourage very candid debate between keen intellectuals, without fear of reprisals.

The theme of the conference was *Contentious Issues in Classical Liberalism* and we were certainly not disappointed. One of the hot issues debated was 'open borders or not?' After some vigorous debate it became obvious that open borders could only work if the Welfare State was abolished (it is virtually impossible to have a sustainable economy with both open borders and a welfare policy).

Our returning scholars will report individually on their own impressions of the conference and of Texas generally.

The subtle differences in culture and priorities between the U.K., the European and the U.S. delegates also fascinated our scholars and they noticed that our Australian attitudes don't always follow either of those cultures.

Whilst some academics were not overly interested in some of the U.S. state statistics, I personally found them to be of interest as each of our Australian states similarly have widely diverging economies as seen in the U.S. Texas has a robust economy, with Texas attracting about 1,000 new workers per day, attracted from other debt-laden States such as California.

They are drawn to Texas because of low taxes and minimum regulations. Some good lessons for Western Australia here. There are some interesting 'market signals' with the one-way flow of people, including the self-drive 'U-Haul' vehicles charging double for the California to Texas trip compared with the return trip, not so heavily demanded.

When the question was asked about the effect of the constant flow of Hispanics from the south, into the U.S., an interesting comment was made that there are 'two types of Hispanics', one being those who are in search of jobs, they head to Texas. Those in search of welfare, they head to California.

I look forward to the more academic, in-depth reports from our individual scholars.

Reflecting on how far our Mannkal scholarship



program has progressed.

The evolution of our Mannkal Scholarship Program over these past 22 years has been one of 'constant tweaking', incorporating all the wisdom of our 1,500 returning scholars.

Our Mannkal Alumni reading this report and the various students' reports will appreciate how our program has advanced and 'beefed up'. The process of constant improvement continues.

We are currently generating over 300 Mannkal scholars per year. This appears to have struck an ideal balance between quantity and quality.

It is encouraging to see some long-term intellectual relationships developing between our scholars and various speakers. One example is being the initiative of Mannkal scholar, Arka Chanda, to invite renowned Austrian economist and cyber communications and health innovations author, Prof. Thomas Hazlett, to come to Perth for a public lecture on Wednesday, 7 August 2009 (for full details, see p. 10).

This is an appropriate time for me to thank not only our returning scholars but also our Mannkal team, our Board and Ambassadors for their enthusiastic and continuing support to achieve our goal of creating life-changing experiences by introducing bright young Australians to the exciting world of ideas.

Ron Manners
Founder and Chairman

EXECUTIVE UPDATE



Can leadership be taught?

This is a question we constantly ask before our scholars commence Mannkal's Leadership Development Program (LDP).

As elite students progress through the LDP, they realise that real life is uncertain and unpredictable. Simple answers or solutions are seldom available or even possible. This runs counter to viewing life and decision making through the prism of Harvard Business School-type case studies. It is about taking risks rather than managing risks. It is understanding entrepreneurship in its purest form. It requires understanding yourself and developing character and integrity.

Safe spaces are not needed for those who embrace the messy reality of the world. They embrace chaos and want to have an impact.

Inspired by the format and intensity of the Duke of Edinburgh Commonwealth Study Tours and rigorous training of the Foundation of Economic Education, we want our students to interact with a wide range of people they would not normally mix with and be pushed by the best in the world. We also want them to reflect on issues that they will be dealing with when they are leaders. This is not about the fashionable cause of the moment or issue of the day, but rather fundamental insights into what it means to live a good life and contribute to society.

Mannkal will unflinchingly highlight the insights from Hayek, Friedman and von Mises. Other great thinkers and leaders will also be introduced to show the great potential of humanity and the wonder of the human spirit, such as the futurist and environmentalist Stuart Brand. While Brand is seen by some as an aging hippy, we value his insight that growth, learning and innovation occurs "on the edges" (see the following

poem by Ron Manners on this very topic).

Like prospecting for gold, we work tirelessly to find and identify talent. Still, it does not stop then. From discovery of talent to deployment on conferences, study tours and advanced industry placements, we want our scholars to ask themselves as well as us difficult questions and learn to embrace ambiguity and disruptive trends. We want our scholars to be passionate about their own fields of endeavour and excellence rather than seeking leadership positions for their own sake. When the time comes, we know that they will be ready to stand up.

Andrew Pickford
Executive Director

'BE FREE, IN AN UNFREE WORLD'

Let's look at living round the edges,
The centres have their dangers.
The best things happen round the edges,
Centres are like quicksand

Gravity draws to the centre,
Easy to get in, hard to get out.
But look at those peripheral particles,
Room to breathe round the edges.

Nature knows, perhaps we can learn,
Fertile ground, trees, minerals all occur,
Round edges, between like and unlike,
All round earth's tormented crust.

Always inhabit the edges,
The most conducive environments,
Are the boundaries you will see.
The tide pool, where land and sea and air meet.

This gives the most furiously alive habitat.
Physical edges, social edges, edges in time.
Weeds after a fire, industries after a war.
Environmental change and hybrid vigour.

Fighting a system, maintains the system,
Strengthens it in fact,
This accounts for all those bitter revolutionaries
Seeking their utopias.

Learning does not occur in utopias,
But in catastrophes.
If you want to learn survival,
Multiply the edges around you.

Fat standing targets get hit or eaten
But edges mean mobility.
Giving us the ability,
To survive instead of perish.

So you know too, that we need some changes,
Best get into the strategy of game change;
You don't change a game by winning or losing it,
Or observing it, or refereeing it.

You change it by leaving it, and going somewhere else
And starting another game from scratch.
If the new game has appeal,
It will gather its own energy.

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SCHOLARSHIPS *news*

Mannkal's mission is to develop the next generation of future free market leaders and if the last 12 months is anything to go, we are set for a wave of optimism in Australia.

Our newly revised three-tier Leadership Development Program is in full flight. Throughout the program, students experience one domestic conference offering as an introductory Mannkal experience, one international study tour for international immersion, and, for our high-achieving students, an advanced industry placement to set them up for employment in their chosen profession.

Each year, we work tirelessly to find new future Mannkal scholars. So far this year, Mannkal has welcomed more than 100 new students into the LDP with introductory domestic conference opportunities at Liberty Week in Perth and the Friedman Conference in Sydney. Additionally, we will sponsor another 15 new students to attend the Samuel Griffith Society Conference in August and we are supporting a Public Choice Symposium in July (see p. 9).

Last December, four scholars participated in Mannkal's inaugural Study Tour program in Washington DC, serving as a test pilot. After its profound success, we expanded and implemented the study tour program across the United States, Europe and Asia. Mannkal

has just sent 17 scholars abroad for the mid-year international study tours travelling to cities including New York, Washington DC, Los Angeles, London, Vienna, Berlin, Tel Aviv and many more. You can follow their journeys on our website and social media channels.

Mannkal has always sought to reward outstanding scholars through further opportunities. Our new Advanced Industry Placements (replacing our former internship program) has welcomed its first student, Cian Hussey, who completed high-level data research with the Institute of Public Affairs in Melbourne. Students who perform exceptionally on their international study tour will be rewarded with an advanced industry placement upon their return to Perth, like Cian was.

The Leadership Development Program was revised to create greater experiences for our students, and it has certainly got a lot of attention from our international partners. Mannkal won the Atlas Network's Award for Student Outreach in Asia earlier this year and we are going from strength to strength.

Applications are now open for our life-changing international study tours with offerings to the United States, Europe and Asia.

So, what are you waiting for? Where in the world do you want to learn?



Scholars at the WA Parliament during the 2019 Liberty Week



Dr Lyall Swim (Atlas Network) with Mannkal Scholars at the 2019 Asia Liberty Forum in Colombo, Sri Lanka



Mannkal Scholars at LibertyFest Perth (March 2019)



Mannkal's 'graduating cohort' of 2018 at our Emerging Leaders Showcase at the University Club of WA

You can see more photos from our events and scholarships on our Facebook page: www.facebook.com/mannkal

SCHOLARSHIP *highlights*

2018 End-of-Year Internships - worldwide

The 2018 End-of-Year internships marked the end of Mannkal's old internship format and the beginning of our new Leadership Development Program. Seven Mannkal Scholars flew to different corners of the world to begin their immersive intellectual journeys.

Micha Gartz (Curtin), Carl Schelling (UWA), Callum Hudson (UWA) and John Gray (UNDA) spent the month of December exploring Washington DC and its impressive libertarian think tank scene. In January, Micha and Callum travelled to the American Institute of Economic Research in Massachusetts to intern. Carl flew north to Ottawa, to the Institute of Liberal Studies and John spent a month in Guatemala to assist with the Antigua Forum at the Universidad Francisco Marroquín and then finished off interning at the Mackinac Center for Public Policy in Michigan.

Meanwhile, Benjamin Thomas (UWA), flew to London where he interned at the Initiative of Free Trade under the expertise of Daniel Hannan MP and his team. On the homefront, Anis Rezae (UWA) spent December with our friends at the Institute of Public Affairs in Melbourne and then onto Sydney with a placement at The Centre for Independent Studies, where she worked on economic policy and events.

We can't wait to see what the future holds for these fully fledged Scholars!



Micha Gartz with Jeffrey Tucker, ready for a scenic flight over Massachusetts (January 2019)



Carl Schelling in Ottawa, mid-winter (February 2019)

Mont Pelerin Society Regional Meeting - Texas



Josh Adamson with Ed Stringham at the conference reception (May 2019)

The Mont Pelerin Society annual gatherings - whether Regional or General Meetings - are a true highlight and staple on the international libertarian calendar. Each year the Meeting takes place in a

different location. Ron Manners attends his first ever MPS and Mannkal has been sponsoring students to attend the past several years.

The 2019 Regional Meeting (22 - 24 May) took place in Dallas-Fort Worth, home to the world's 10th largest economy. Where else would be better suited to explore the theme of "Contentious Issues in Classical Liberalism"?

With topics ranging from immigration, welfare policy, free market policing and more juicy subjects, there was plenty of opportunity to dive off the deep end of libertarian philosophy.

Mannkal proudly sponsored four Perth students to attend the magnificent event: Josh Adamson (UWA), Gerry Deveraux (UWA), James Locke (UNDA) and Patrick Leclezio (UWA). They were joined by Dallas local, Price Morgan, who took them on a tour of the metropolis the day before the conference.

"Ron, I've stayed in touch with the Mannkal Scholars you brought along with you, exchanging jokes and ideas about issues within the political economy. I have a feeling we'll be friends for many years, and I hope I'll be able to see them at many more MPS meetings in the future. I think the MPS is a truly exceptional organization, and I am hoping to become more involved with you after I graduate and begin my career this fall. Being a Mannkal Scholar for a week was a true delight. The MPS meeting was something incredibly special, as were the people who attended it. Thanks so much for helping me be a part of it."

- Price T. Morgan

Research Assistant, GMU Center for Global Health Impact

SCHOLARSHIP *highlights*

ALS Friedman Conference - Sydney



Friedman Conference group photo (May 2019)

The 7th ALS Friedman Conference was back in fine form this year - it had joined forces with the World Taxpayers' Association which made for a fabulous five-day extravaganza talking tax, tax is theft and more tax!

Just kidding - other topics were discussed as well.

Mannkal sponsored a record 20 young people to attend the biggest - and best - pro-liberty event in the Australia-Pacific region.

As well as thoughtful panels on everything from

energy and climate to the rise of the regressive left, there was plenty of opportunities to socialise.

Attendees were treated to both a three-course Gala Dinner in Darling Harbour as well as an evening river cruise right, the timing of which coincided with the Sydney's spectacular Vivid festival, which showcased the best of the city's stunning architecture in all the colours of the rainbow.

We can't wait for next year! Visit www.alsfc.com.au - early bird tickets are on sale now.

Liberty International World Conference - Mongolia



Alyssa and Melody with fellow conference attendees

The 35th Liberty International World Conference 2019 in Ulaanbaatar (6 - 11 June) gathered libertarians and freedom lovers from all over the world. An essential platform for sharing ideas of the best and brightest minds in the liberty movement, it energised each attendee through networking and new friendships.

The main goal of the conference was to introduce current libertarian points of interest to an already liberty-

oriented audience with a focus on entrepreneurship and innovation. Networking is key to advancement of the worldwide freedom movement. The conference touched upon various topics - ranging from theory to practical case-studies based on the experiences of entrepreneurs and activists.

Mannkal sent two bright scholars to Ulaanbaatar to attend the conference: Alyssa Bay (Murdoch University) and Melody Smout (Curtin University). They arrived five days before the conference commenced, allowing them to assist the host think tank, the Silk Road Foundation, with the last bit of logistics.

The girls were treated to the best Mongolia had to offer, including camel rides, sightseeing and even spending the night in a traditional 'yurt'.

Conference speakers included Yaron Brook, Jim Lark, Christopher Lingle and Tom G. Palmer, plus many others. The 2020 Liberty International Conference will take place in Colombia. Check www.li-intl.org for dates and speakers.

Are you a Western Australian university student? Mannkal is always looking for new applicants to our Leadership Development Program - visit www.mannkal.org and apply today!

EVENTS & OPPORTUNITIES

Public Choice Theory Course & Symposium

Brace yourselves - Public Choice Theory is coming.

Mannkal is proud to announce our latest collaboration with The University of Notre Dame, Fremantle. For the first time in Western Australia's academic history, the fascinating field of Public Choice Theory - extensively formulated by economists James M. Buchanan and Gordon Tullock in their seminal work, *The Calculus of Consent* (1962) - will be taught at university.

The University of Notre Dame is hosting both the Public Choice Theory Winter School (BUSN2080, taught as an intensive unit) and a one-day Symposium dedicated to the subject.

The Winter School is open to university students Australia-wide, as cross-enrollment is allowed (and encouraged!).

The course will be delivered over the period July 9 to July 21 and is "for university credit". This means that normal university fees apply.

Whilst courses at UNDA are not commonwealth supported and therefore may not qualify for HECS support, the equivalent Fee Help (see <https://www.studyassist.gov.au/help-loans/fee-help>) is available for domestic (Australian) students. The course enrolment

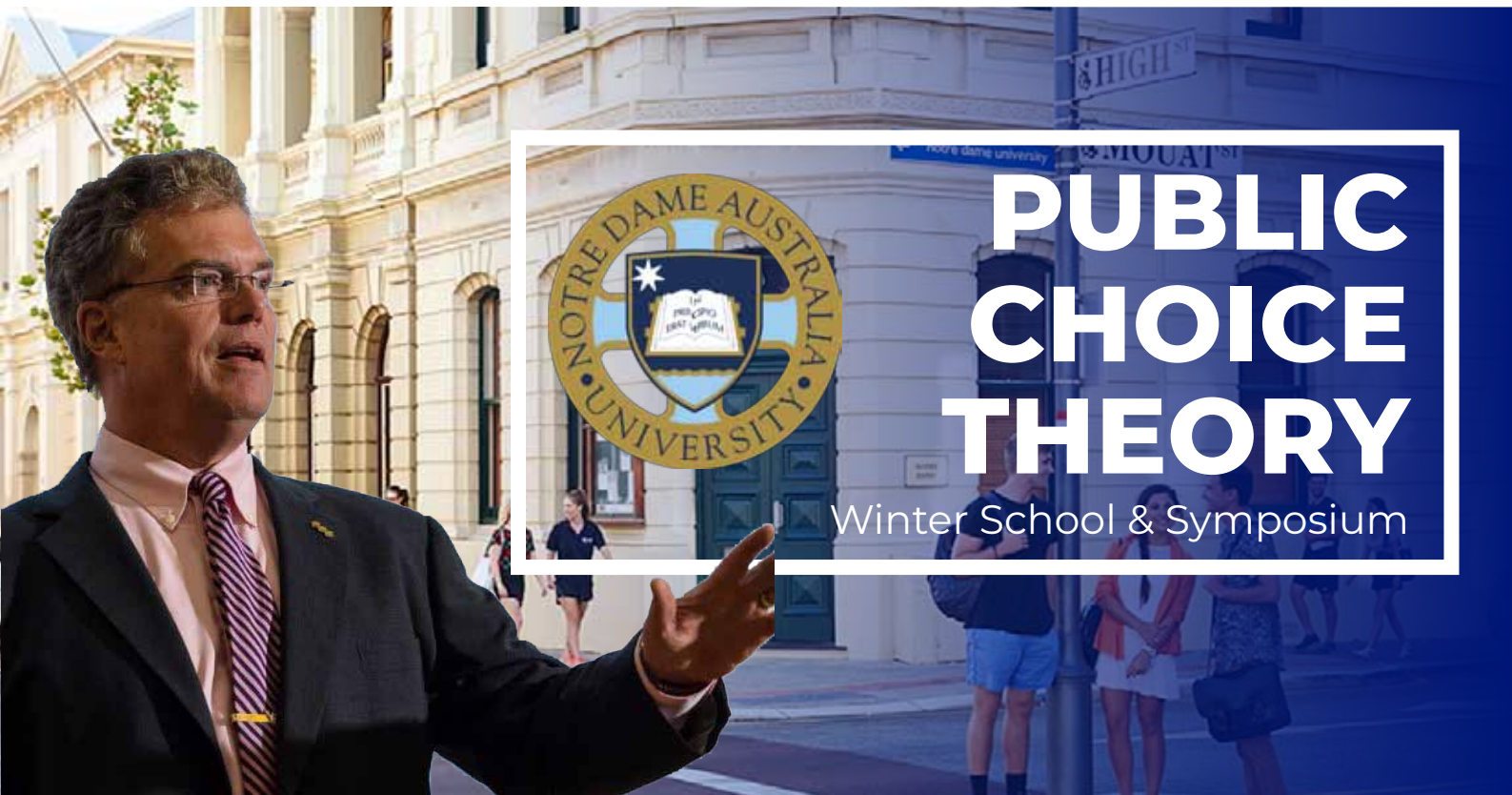
code is BUSN 2080 (enrolment class code no. 1073).

The Public Choice Symposium is specifically devoted to exploring James Buchanan's life and contributions to the discipline of economics who was awarded the Nobel Prize for economics in 1986 for his contributions to this domain.

Symposium speakers include William Coleman (ANU), Geoffrey Brennan (ANU/Duke University), Mike Munger (Duke University), Michael McLure (UWA), and Jonathan Pincus (University of Adelaide).

The Symposium is open to all: general admissions are \$200 and student concessions are \$50. If you are a student, we encourage you to apply for a Mannkal scholarship which will waive the fee. Please contact us directly for more details.

For enquiries relating to the course, contact Professor Gregory Moore at greg.moore@nd.edu.au. For enquiries relating to enrolment processes and administrative information, contact Anita Unwin at anita.unwin@nd.edu.au. For enquires related to the Symposium, please contact Angela Ifkovich at angela.ifkovich@nd.edu.au



The amazing Mike Munger will be back in Perth this winter to deliver the keynote speech at the Public Choice Symposium on Tuesday, 16th July 2019. This is the one event you do not want to miss!

Lang Hancock Memorial Lecture - Fremantle

Wednesday, 7 August

The Lang Hancock Lecture Series brings to Australia a major international figure who will lecture to University students, staff, and a broad array of members from the business and government community.

The aim of the lecture series is to support excellence in business education, to introduce new ideas that can benefit business in Australia and to promote free enterprise in Australian society.

The 2019 iteration will feature Prof. Thomas Hazlett. Prof. Hazlett holds the H.H. Macaulay Endowed Chair in Economics at Clemson, conducting research in the field of Law and Economics and specialising in the

Information Economy, including the analysis of markets and regulation in telecommunications, media, and the Internet. Additionally, he served as Chief Economist of the Federal Communications Commission, and has held faculty positions at the University of California, Davis, Columbia University, the Wharton School, and George Mason University School of Law.

The Lecture is free and open to the public. To book your seat, please visit www.notredame.edu.au/events-items/lang-hancock-public-lecture-series.

This event is generously sponsored by Hancock Prospecting Pty Ltd.

Liberty & Society Student Conference - Perth

Friday - Sunday, 27 - 29 September

The Centre for Independent Studies (CIS) recognises the importance of exposing, challenging and supporting young people who have an interest in exploring the foundations of a free society. The Liberty and Society student conferences are highly regarded with many participants proclaiming that the weekend was pivotal in building their personal philosophical framework. A must for anyone interested in exploring classical liberal ideas.

Liberty and Society is a unique conference program for undergraduates, recent graduates and postgraduates. The goal of the Liberty and Society conferences is to create an intellectual environment

where ideas and opinions about what makes a free society can be discussed, argued and learnt.

Liberty and Society is for young people who may be questioning the standard answers they are getting regarding social, political and economic issues. This is an opportunity to consider the classical liberal perspective. Classical liberalism promotes individual freedom, private property, limited government and free trade.

Please visit the CIS website for application details. We look forward to seeing you there!

Student seminars - Mannkal office

Year-round during university semesters

Mannkal's student seminars continue to be popular with both our new applicants as well as alumni. These 2-hour events, held at our office in Subiaco, usually feature a guest speaker and delve into a different area such as law, economics, politics and more.

In the past 12 months, we have been honoured to have distinguished speakers such as John Roskam (Institute of Public Affairs), Jim Lark (University of Virginia), the Hon. Aaron Stonehouse MLC, the Hon. Mike Nahan (Leader of the Opposition in WA), Lorraine

Finlay (Murdoch University, pictured below) and many more!

The seminars are free and open to university students who are interested in the world of ideas - there are no safe spaces at Hayek on Hood. Seminar attendance is an essential pre-requisite for a successful scholarship application.

Upcoming seminars are advertised on our Facebook page, so make sure you follow us to get all the details.





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2019 Mid-Year Americas
Study Tour Scholar

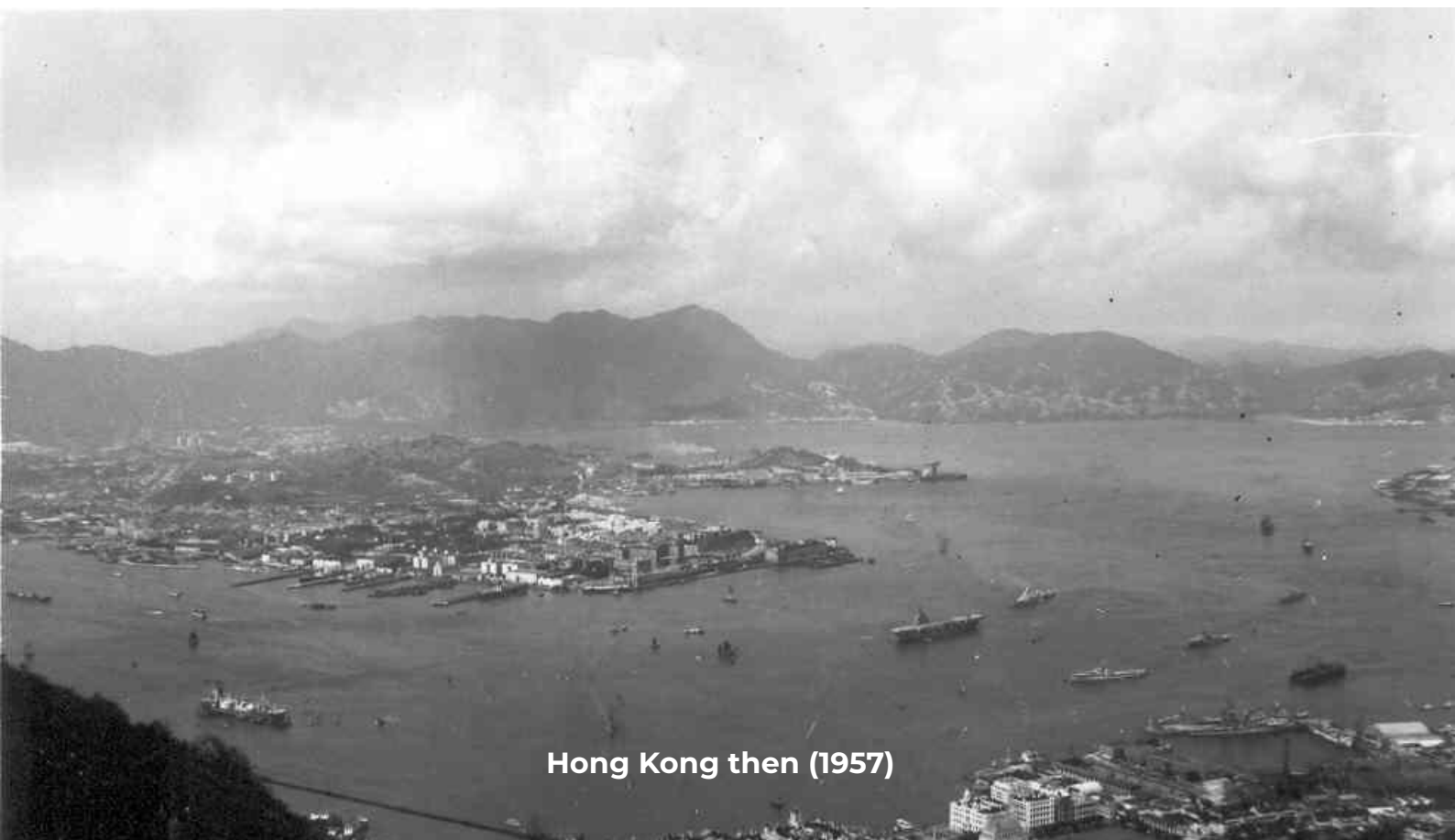
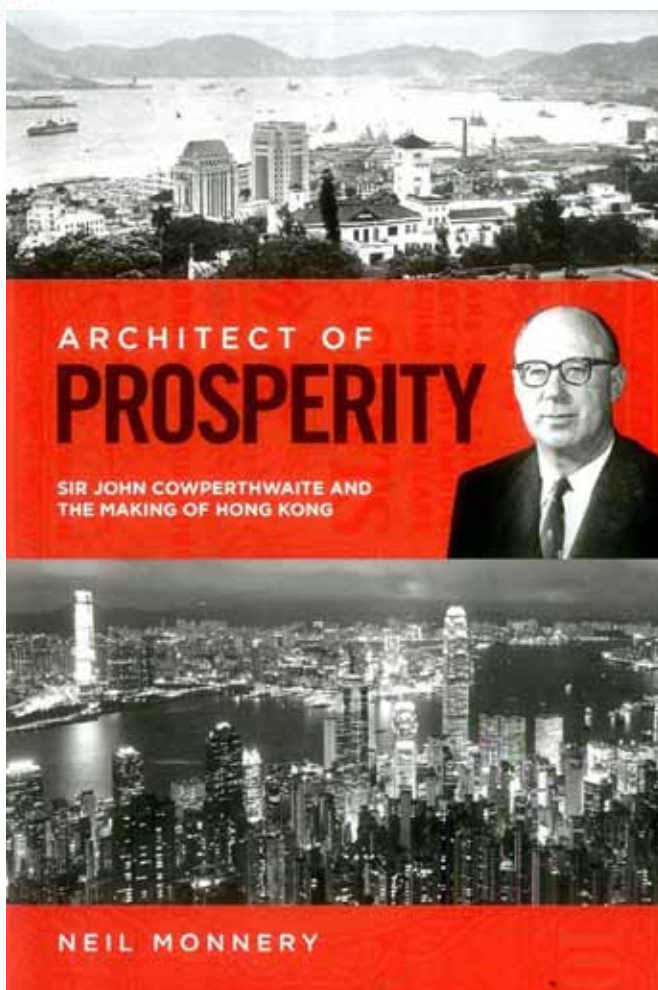
For more information, visit
www.mannkal.org

BOOK REVIEW

by Bayley Novakovic

In the streets below the 4,000 odd high-rise buildings, tailors fit out Hong Kong's numerous professionals and entrepreneurs. Tailormade suits of the finest materials, imported from destinations as far flung as Italy, are but one display of wealth in a cosmopolitan city where success is celebrated. Hong Kong has achieved prosperity that many politicians aspire to replicate. A dynamic, bustling city, the former British Colony and, since 1997, Special Administrative Region of the Peoples Republic of China, had humble beginnings. It began as a barren island with almost no natural resources. The economy has since gone through many transformations, from entrepôt to leading manufacturing hub to services centre. Hong Kong's astounding transformation is most pronounced during the post-WWII years and the remainder of the twentieth-century when Hong Kong GDP per capita grew from 30 percent of Britain's to 140 percent today.

During this period Hong Kong implemented policies which ran contrary to that of global trends. These included low levels of taxation, fiscal restraint and minimal regulations. This suite of policies has been termed "positive non-intervention" by Hong Kong officials and was implemented under the leadership of several key individuals. Sir John Cowperthwaite, Financial Secretary from 1961 to 1971, is most credited for Hong Kong's approach to economic policy. These individuals, their policies and the growth of Hong Kong is detailed in *Architect of Prosperity* by business consultant Neil Monnery, formerly of the Boston Consulting Group.



Hong Kong then (1957)

Monnery's introduction explains both Britain's initial reasons for seizing the territory and how Cowperthwaite's principles were formed.

Cowperthwaite was trained in classical economics and gained experience working within the British Empire during WWII prior to arriving at Hong Kong. Readers become acquainted with Hong Kong's origins as a trading outpost during the Anglo-Chinese trade conflicts from 1839 to 1860, which was one cause for Britain's strategic decision to seize the territory in 1841. The Qing Dynasty formally ceded the territory through the Nanking Treaty in 1842. The Peking Convention in 1860 and the Second Convention of Peking in 1898 further expanded the territories of colonial Hong Kong.

Monnery details the colonial structure of government which contemporary readers living in modern democracies will likely find antiquated and unfamiliar. Appointed by the British Foreign Secretary, the Governor represented the Crown in Hong Kong and was President of the Executive Council. Under this system, Hong Kong lacked formal democratic mechanisms. The Governor had widespread powers to create and enforce laws, the Legislative Council advised the Governor and formally passed legislation. Members of the Legislative Council were civil servants drawn from government and representatives of industry and civil society, all were appointed by the Governor. To this day it is customary in Hong Kong to refer to the Legislative Council simply as LegCo.

Despite the lack of formal democratic mechanisms, the structure of Hong Kong's colonial government enabled it to implement classical liberal economic policies which were often unpopular in the short-run. Monnery notes that Hong Kong was lucky to have Cowperthwaite and several classical liberal minded officials. The structure of government would have equally given them the power to implement a different

set of policies.

Examining the role of Cowperthwaite in Hong Kong's economic success is the focus of Monnery's *Architect of Prosperity*. The jurisdiction already adopted free-market policies prior to his appointment as Financial Secretary in 1961. Financial Secretary Arthur Grenfell Clarke (1952 -1961) maintained minimal market interventions and introduced many measures that Cowperthwaite would continue. In particular; budgeting constraints including conservative revenue estimates and the practice of funding current expenditure with current revenues. Both Clarke and Cowperthwaite expanded the foundations laid by post-war Financial Secretary Geoffrey Follows, who quickly established the conditions required for free-enterprise post-war order. However, it is Cowperthwaite's ten-year tenure which is highlighted when recounting Hong Kong's legacy of free-market policies.

Monnery identifies two crucial factors why Cowperthwaite is most credited for Hong Kong's economic policies.

- Firstly, at the end of his tenure as Financial Secretary, Clarke publicly questioned continuing free-market policies and raised the possibility of future financial secretaries implementing a more interventionist and planned economy. Cowperthwaite answered Clarke's open question by rebutting the possibility of implementing a planned economy. In his early days as Financial Secretary, Cowperthwaite continued to consolidate previously implemented free-market policies, always referring to principles and a classical liberal approach to economic governance when challenged on his choice of policies.
- Secondly, the economic growth during



Hong Kong now (2018)

Cowperthwaite's ten-year tenure validated his decision of continuing free-market policies. Cowperthwaite's logic and reasoning in LegCo debates disproved dogmatic socialist enthusiasm in other jurisdictions. His principled approach resulted in a specific set of policies; low taxation, fiscal restraint and spontaneous markets undirected by the Government.

Taxation and economic growth

Taxation in Hong Kong during Cowperthwaite's era was more a practical discussion than ideological. Cowperthwaite never failed to remind his peers that social progress follows economic progress, which high rates of taxation would inhibit. Monnery notes that the majority of LegCo agreed that income tax could be no more than 20 percent if economic growth was to continue uninhibited. In stark contrast, contemporary political parties in most western countries argue over tax rates more than double what Cowperthwaite would have considered reasonable or even viable. Furthermore, contemporary politicians in Western countries often fail to understand that economic means ultimately serve social ends; abandoning economic reasoning in favour of the dogma that government spending and welfare programmes drive social progress. Cowperthwaite and his peers suffered no such illusions. In-fact, Monnery explores the trade-offs of competing taxation policies; calculating that low taxation rates lead to a higher absolute tax take in the long run, when factoring for higher economic growth rates enabled by low rates of taxation and free-market policies.

Fiscal restraint and budgeting

Fiscal restraint was a hallmark of the Cowperthwaite era, and continues to this day. In 2018, the Hong Kong Government recorded a surplus of HKD \$138-billion, increasing fiscal reserves to HKD \$1.092 trillion. For the 2018-19 financial year budgeted expenditure is HKD\$557.9-billion, suggesting that although it is commonplace today for most jurisdictions to indulge in deficit spending and service public debts of over 100 percent of GDP, the Hong Kong Government could continue to spend at budgeted levels without collecting any revenue for almost two years. This is an outcome of Cowperthwaite's legacy of fiscal restraint. Cowperthwaite continued his predecessor's tradition of producing balanced budgets and maintained a strong aversion to public debt, arguing that taxing future generations for current benefits is inequitable. Most importantly, Cowperthwaite clearly defined the rules for the expansion of Government spending. He reminded those who called for a loosening of fiscal policy that an expansion of Government spending must be within the confines of a low tax environment, reasoning that unbalanced budgets would inevitably lead to higher tax rates, which would inhibit future economic growth. This chain of logic was always present. Economic growth sets a viable tax rate, which in-turn sets the amount of revenue available for Government to spend; without economic progress, there is no social progress.

Undirected markets

Cowperthwaite's position on managing markets was evident during an exchange with visiting American economist Milton Friedman. When queried on the absence of national income statistics by Milton, Cowperthwaite explained that if this data was collected, there would be pressure for the government to use it in market interventions. Steeply trained in classical economics, Cowperthwaite was greatly influenced by Adam Smith and refused to 'pick winners', adopting Smith's view that the government should only provide the conditions for markets operate. Stating that 'an infant industry, if coddled, tends to remain an infant industry and never grows up or expands', Cowperthwaite's position ultimately led to the Government rejecting its own proposal for the founding of an industrial development bank. For the most part, Cowperthwaite allowed industries to develop spontaneously. Although Monnery overlooks Hong Kong's transition from manufacturing hub to services centre during the latter part of the 20th century, he does identify many of Cowperthwaite's arguments in favour of these transitions being spontaneous and self-directed by the markets. Cowperthwaite maintained that commercial judgment and risk should rest upon individual businessmen and that in the long-run the aggregate of these decisions, within a free-market, would best allocate resources for economic growth.

Lessons Learned

Cowperthwaite is regarded by many free-market libertarians a hero; the civil servant that did nothing and therefore created a capitalist paradise. However, Monnery illustrates that the truth is rather more nuanced. Cowperthwaite and his colleagues actively promoted the expansion of the state and strong interventions in certain areas of the economy, particularly where they perceived natural monopolies such as the provision of gas, water and telecommunication networks. However, the expansion of the state was always within the constraints of a low tax environment and any deviations from the market required a strong case, within the context of classical liberal logic.

Practical outcomes of this arrangement are still evident today, particularly in the development of infrastructure. Although the majority of the jurisdiction's MTR system was initially developed by the Government, the system operates on a user-pays basis and is now a publicly traded company. The Hong Kong International Airport, which is operated by the Airport Authority Hong Kong, a Government statutory body, also operates on a user-pays basis. The Airport Authority is currently in the process of developing significant additional capacity which will be financed through private debt and user-levies, as opposed to public debt, as is common in the development of infrastructure in other countries.

Monnery also shows how much work was actually involved in maintaining "positive non-intervention". Would-be domestic cronies and state-planners continually pushed for the erosion of Hong Kong's

'spontaneous market order' as export destinations raised tariffs, creating an environment for Hong Kong to respond in-kind. To Cowperthwaite's credit his resolve remained in-tact. Much of his legacy is now incorporated into Hong Kong's basic law; the jurisdictions mini-constitution and political promise that capitalism and markets will continue in Hong Kong after sovereignty was transferred from Britain to China in 1997.

Although an excellent introduction to the individuals and the policies that enabled economic success in Hong Kong, senior Asian analysts noted that Monnery relies too much on what Cowperthwaite said rather than what he did. However, it is Cowperthwaite's quotes throughout Architect of Prosperity which are

the most important feature of the book. Monnery's selection of Cowperthwaite's LegCo debates are of great use for aspiring classical liberals. Despite today's transactional democracies being different to the system Cowperthwaite worked within, his sentiments and decisions are timeless and address many of the fallacies that proponents of free-markets face today. Furthermore, Monnery flags Hong Kong as a case study for further research. Architects of Prosperity shows how a principled approach is crucial in furthering free-market policies, giving hope that "positive non-intervention" may yet join the long list of exports to leave the free-ports of Hong Kong.

Bayley is a previous Scholar and Research Analyst at Mannkal.

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