

# PréCIS

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The Centre for Independent Studies  
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leadership in ideas



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## THE CENTRE FOR INDEPENDENT STUDIES

### JULY 2009 – JUNE 2010

The Centre for Independent Studies (CIS) is Australasia's leading public policy research institute or think tank. Founded in 1976 by Greg Lindsay, the Centre's major concern is with the principles and institutions underlying a free and open society, with a particular focus on Australia and New Zealand.

#### Our goals

- An economy based on free markets
- Democratic government under the rule of law
- An autonomous and free civil society

#### Activities

- Research
- Publishing
- Lectures and seminars
- Liberty & Society student program

#### Funding and independence

CIS is funded by private sector donations—from individuals, companies, and charitable trusts—as well as subscriptions and book sales.

*Independent* in our name means:

- We are politically non-partisan.
- Research is not directed by our supporters.

# THE EXEC. DIRECTOR

## FROM THE EXECUTIVE DIRECTOR



In the introduction to the 1982 book *The New Conservatism in Australia*, Robert Manne admitted 'to having no competence in economics whatsoever.' This lack of competence has not stopped him

from pronouncing from time to time during the last 20 years on various economic policy issues. In the 1992 book *Shutdown*, which Manne co-edited, he declared that economic reform had failed in Australia and that Japan is 'the most important contemporary example of economic success.' The fact that Australia is now the strongest OECD economy and is at the top of various international scales of economic freedom, quality of life, and prosperity seems to have escaped the good professor. While there is always room for improvement, up until recent times no serious observer of Australian affairs challenged the moral and economic superiority of the market as the best way forward for the country.

In the lead up to the 2007 election, then opposition leader Kevin Rudd launched an attack on that straw-man that goes by the name of 'neo-liberalism,' just in time to ride the wave of intellectual hostility that the global financial crisis unleashed against so-called 'market fundamentalism.'

Opponents of economic liberty, including the ubiquitous Manne, quickly concluded that the crisis proved that free markets don't work, and that more government control, whether it be over the US health care system or a local broadband network, was needed. Effectively nationalising 40% of the mining industry by way of punitive taxation as has been proposed represents the 'logical' extension of this position.

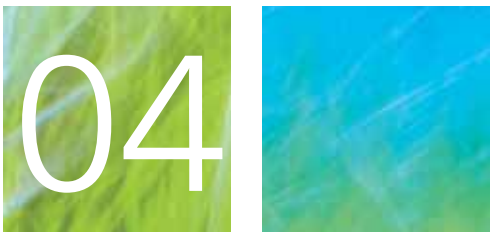
The mistakes that Manne and Rudd make are twofold. The first error is that they ignore the role that state institutions like government-owned enterprises, regulatory regimes, and central banks played in precipitating the crisis. Governments failed at least as much as the heavily regulated and 'mixed' securities markets.

The second error is that liberals have never argued that markets are perfect and will create heaven on earth. Markets are by nature a messy business with periodic ups and downs. But, given the right institutional setting, they work better than any alternative economic system yet devised. Utopian dreamers may believe in the omnipotence and benevolence of government, but history teaches us that such belief has often led to disaster. More proof of this is provided by the contemporary collapse of the European welfare states, which appear to have run their 100-year course. In the PIIGS (Portugal, Italy, Ireland, Greece and Spain) of Europe, we are witnessing government failure on an epic scale.

A more balanced view of the economic history of recent times is that regulation may have been inadequate in some countries, and the institutional setting for the operation of the market can be improved. On this front, many worthwhile lessons can be learned from Australia. But in the end, it is the retention of basic market freedoms that must be fought for once again. Misguided action by governments, provoked by ideological overstatement of the case against the free market, is the greatest risk to economic liberty there is today.

*Greg Lindsay*





## CONSILIUM: A DECADE OF IDEAS, INSPIRATION AND INDEPENDENT THINKING

The Centre for Independent Studies celebrated the tenth anniversary of its flagship event, Consilium, in 2009. This elite gathering, featuring some of the world's leading thinkers, was once again held amidst the lush greens of the Hyatt Regency Coolum's championship golf course.

The standout session was *Educating the Disadvantaged*, coordinated by CIS Research Fellow **Jennifer Buckingham**. Principals **John Fleming** and **Jean Illingworth** provided first-hand accounts of school life in disadvantaged communities, giving a clear message that education and discipline should be managed to fit the children in question, not the other way around. Mr Fleming heads the Berwick campus of Haileybury College, Australia's largest independent school, and Ms Illingworth, named Queensland Senior Australian of the Year for her work in education, is CEO of Djarragun College in Far North Queensland. Both have had spectacular results in improving education standards and experiences for children from lower socio-economic and remote communities. Professor **Chris Goddard**, Director of the National Research Centre for the Prevention of Child Abuse at Monash University, and Dr **Rob Simons**, head of Research and Evaluation at The Smith Family, joined the panel for a broad discussion on raising scores and standards for under-privileged children.

In *The Brains behind Neuroscience in Australia*, the 'superstar of neuroscience,' Professor **Max**

**Coltheart**, took the floor with Professor **Stephen Crain** from the Macquarie Centre for Cognitive Science, Professor **Caroline Rae** from the Prince of Wales Medical Institute, and Professor **Robert Shepherd**, Director of the Bionic Ear Institute, for a fascinating discussion about cutting edge developments in medical bionics and neuro-engineering. With Australia at the forefront of cochlear and cognitive R&D, delegates listened spellbound as the speakers offered rare insights into new and possible future treatment for epilepsy, brain trauma, learning disorders, and the like.

With global terrorism so prevalent in the new millennium, the Consilium session on *Pakistan: Crucible of Terror* was a timely, if complex, discussion of the issues at play in this increasingly unstable region. CIS Visiting Fellow Dr **Tanveer Ahmed** shared his thoughts on the volatile situation as did **Pramit Pal Chaudhuri**, Senior Editor of the *Hindustan Times*; Dr **Ashutosh Misra**, Griffith Asia Institute Research Fellow; CIS foreign policy expert Dr **John Lee**; and Dr **Ayesha Siddiq**, an independent security analyst and military scholar from Pakistan. The limited time frame made an in-depth



exploration of the issues difficult, but the session did provide the opportunity for a variety of points of view to be aired about cause and effect and of Western foreign policy.

With the global economic crisis in full force during the middle of this year, it was prudent for Consilium to feature not one but two sessions on economics. *Tackling the Crisis* focused on possible policy solutions and, of course, a discussion about stimulus packages. Dr **Jerry Jordan**, former President of the Reserve Bank of Cleveland, was joined by *The Australian's* Economics Editor **Michael Stutchbury**, CIS Research Fellow Dr **Stephen Kirchner**, and Professor **Tony Makin** from the Griffith Business School. Tending towards a more ideological direction, *Is This the End of Capitalism?* was a question soundly answered in the negative by Professor **Suri Ratnapala**, Professor of Public

Law at Queensland University; Dr **Paul Kerin**, Professorial Fellow from the Melbourne Business School; Dr **Don Brash**, head of New Zealand's 2025 Taskforce; **Cassandra Wilkinson**, pro-capitalist writer; and CIS Research Fellow Dr **Oliver Hartwich**.

The final session of the challenging 2009 Consilium program was *What Happened to the Idea of Progress?* Once a firmly entrenched Western ideal, thanks to the Enlightenment period, this session looked at why the notion of progress has become pilloried and demonised. Dr **Austin Williams**, author of *The Enemies of Progress: Dangers of Sustainability*, spoke of his enmity towards environmental zealots who seek to obstruct the progress of mankind under the guise of sustainability and public good. Dr **Patrick Michaels**, climatologist at the University of Virginia, spoke on a similar theme,

and graphically illustrated the flaws in environmental data frequently cited by climate change scientists. **Henry Ergas**, former Chairman of Concept Economics, and The Hon. **Craig Emerson** MP, Minister for Small Business, Independent Contractors and the Service Economy, joined the conversation about replacing fear with optimism, and humanity's critical need for renewed growth and innovation in order to address global challenges.





## HIGHLIGHTS: JUNE – DECEMBER 2009

### Impressions of Banyala: A Remote Indigenous Community with a Future

CIS has been at the forefront in challenging the tired and ineffective attitudes and policies that have weighed down Australia's Aboriginal community for decades. On 8 July 2009, Senior Fellow **Helen Hughes** and Policy Analyst **Sara Hudson** joined with dedicated Rotarian **Andy Buttfeld** to discuss the work that CIS and Rotary have undertaken in the remote homeland settlement of Banyala.

### Big Ideas Forum 2009: Enemies of Progress?

In a scathing indictment against sustainability zealots, Dr **Austin Williams**, Director of The Future Cities Project in London, and Dr **Patrick Michaels**, US climatologist, made the argument that environmentalism has become a new and dogmatic religion, endangering the Enlightenment ideal of human progress. This event was hosted by senior CIS economist Dr **Oliver Marc Hartwich** on 10 August 2009 at the Macquarie Group auditorium in Sydney's CBD.

### Stern Hu and Stern China: Why Beijing did it and what it means for Australian-Chinese political relations

CIS foreign policy expert Dr **John Lee** was joined on 25 August 2009 by *The Australian's* editor-at-large, **Paul Kelly**, for a frank discussion about China's bully-boy tactics with detained Australian businessman Stern Hu.

### The Accidental Guerrilla

World-renowned counter-insurgency expert Dr **David Kilcullen** joined CIS guests for lunch on 4 September 2009 to discuss the situation in Afghanistan and the far-reaching consequences of hasty policy decisions.

David was one of the key architects of the West's military strategy in Iraq; in an interview with CIS foreign policy expert Dr **John Lee**, he discussed the complex global challenge of modern terrorism.

### Has the 21st Century Mind Become a Risky Business?

CIS was pleased to host eminent UK brain researcher Baroness **Susan Greenfield** CBE for lunch on 10 September 2009. The Baroness explained her theory that social networking sites are damaging to young minds, and that frequent use of onscreen technology encourages greater levels of risk-taking due to less human interaction. The Baroness, who is Professor of Pharmacology at Oxford University and Director of the Royal Institution of Great Britain, gave CIS guests an excellent overview of how the brain works and how it is dramatically affected by external stimuli.

# EVENT HIGHLIGHTS



### Why People with Flat Screens TVs Should Stop Whinging about Capitalism

CIS was delighted to take part in the inaugural *Festival of Dangerous Ideas*, presented by the Sydney Opera House over the October long weekend. In a sharp rebuke to soy-latte socialists everywhere, senior CIS economist Dr **Oliver Marc Hartwich** and author of *Don't Panic! Why Nearly Everything is Better than You Think*, **Cassandra Wilkinson**, put paid to the idea that capitalism is a wicked system designed only to benefit the rich. With *Counterpoint* co-host **Paul Comrie-Thomson** facilitating, Dr Hartwich

used humour, history and biology to demonstrate why capitalism and free markets are responsible for the huge improvements in world living standards in the past century. Wilkinson took a different approach in defence of capitalism, and was provocative in her use of early punk rock bands as examples of capitalism in action. One guest was so convinced by her arguments that he used his capitalist-product iPhone to download a song from *The Saints* for the audience!

(Note: Those not present at this entertaining session may want to google 'monkey capitalists' for a better understanding of the principles of free trade in the wild ...)

### Against Prohibition: An Argument for Legalising Drugs

In a bold move, CIS held an event on 8 October 2009 to discuss the benefits and drawbacks of legalising drugs in Australia. Dr **Norm Stamper**, former Seattle chief of police, spoke about reducing the number of drug addicts by providing caring and respectful medical assistance, and how

decriminalising illegal substances would result in a huge reduction of drug-related crimes. CIS is undecided in its position on the matter but wholeheartedly supports open and tolerant discussion on this issue, which profoundly affects the lives of so many people.

### After the Wall: 20 Years On

On the twentieth anniversary of one of the most important events in modern history, CIS hosted a seminar to commemorate the fall of the Berlin Wall. Guests gathered on 9 November 2009 to listen to firsthand accounts and geopolitical analysis from CIS Research Fellow

Dr **Oliver Mac Hartwich**; Co-Director of the European Law Centre at the University of NSW and communism expert, Professor **Martin Krygier**; former ABC European correspondent Dr **Lee Duffield**; and CIS foreign policy Research Fellow Dr **John Lee**.

### CIS Video Footage

These events are available for viewing at [www.cis.org.au](http://www.cis.org.au).

# EVENT HIGHLIGHTS

## HIGHLIGHTS: JANUARY – JUNE 2010

### Meet the Researchers

In January, CIS launched its *Meet the Researchers* program, with the inaugural event featuring departing Policy Analyst **Elise Parham**. In her swansong for the CIS, Elise discussed her research into the government's response to the National Human Rights Consultation in *Behind the Moral Curtain: The Politics of a Charter of Rights*. In March, Policy Analyst **Luke Malpass**, from the Centre's New Zealand policy unit, talked about proportional representation, Research Fellow Dr **Stephen Kirchner** discussed the perils of big government in April, and in May Research Fellow Dr **Jeremy Sammut** investigated Australia's child protection crisis.

### Cultural Cringe: Are Australians the Plebeians of the West?

This sell-out event featured German sociologist **Jens Schroeder** discussing his theory that Australians are not the poor cultural cousins of Europe or, indeed, anywhere. It has been conjectured that Australia, whilst wealthy in terms of bonhomie, beaches and beer, is artistically poverty stricken because we lack a cultural elite. Jens offered a robust rebuttal to that argument, backed up by Dr **Oliver Hartwich**, fellow German and CIS economist, and **Miranda Devine**, *Sydney Morning Herald* columnist. This entertaining and amusing forum is available at [www.cis.org.au](http://www.cis.org.au) in the audio and video section.

### What If?

Former NSW Premier The Hon. **Nick Greiner** headlined speakers at the launch of new policy book *What If?* on 29 April 2010. Edited by Dr **Peta Seaton**, the book asks policy questions heretofore considered taboo: What if we allowed schools to make profits? What if we abolished the states? What if we had nuclear energy?

The controversial book considers these and many other questions and features essays by outspoken media bosses, former politicians, policy wonks, and idea enthusiasts. CIS research fellows Dr **Jeremy Sammut**, Dr **Oliver Hartwich**, and **Jennifer Buckingham** have contributed chapters to the book. For more details or to purchase a copy of *What If?*, please visit [www.connorcourt.com](http://www.connorcourt.com).



"Australia is in the middle of an unusual, unrecognised and unintended experiment that may give us insight into the connections between rises and falls in our birth rate and changing economic conditions. How that experiment turns out will have crucial economic and social implications for our future."

Barry Maley, *Unleashed*,  
15 August 2009

The Social Foundations Program has continued to draw attention to the destructive social and personal consequences of welfare dependence and critique the growth of big government by advocating a choice-based approach in key social policy areas.

### Welfare and Family

In June 2009, the CIS broke new ground and published its first report on the tragic area of child protection. In *Fatally Flawed: The Child Protection Crisis in Australia*, CIS Research Fellow Dr **Jeremy Sammut** argued that child protection authorities have repeatedly failed to adequately investigate reports of child abuse and to remove children in danger because of a range of systemic and ideological factors that continue to impede effective child protection throughout Australia. An editorial in *The Australian* praised Jeremy's 'in-depth' work and the quality of the Centre's research and contribution to policy debates.

In September 2009, CIS Senior Fellow **Barry Maley** authored *Family on the Edge: Stability and Fertility in Prosperity and Recession* in which he argued that the advent of the current recession has the potential to reverse the increase in the birth rate experienced in recent times by removing confidence in the economic future and by stalling or reducing government support for dependent children. He argued that unless family law and policies are changed, family stability and a buoyant birth rate will be at risk with long-term implications in light of the ageing of the population.

In October, *What's next for Welfare-to-work?* by CIS Policy Analyst **Jessica Brown** analysed changes to the number of people dependent on welfare since the Howard government's 2006 welfare-to-work policies were enacted. She argued that policymakers should draw lessons from both the successes and failures of past welfare reforms to ensure that any short-term rise in unemployment is not the catalyst for an explosion in long-term welfare dependence. *The Australian* ran a front-page story announcing the release of this report, as well as an editorial that highlighted the importance of the report's conclusions. On the same day, the *Sydney Morning Herald* ran a major story discussing the findings of this report.

In May 2010, *Defeating Dependency: Moving Disability Support Pensioners into Jobs* by **Jessica Brown** argued that the focus of reform efforts for the Disability Support Pension (DSP) should be on encouraging some of the 750,000 existing disability support pensioners back into work.

During the year, Jessica appeared on Channel 7's highly rated TV current affairs program *Today Tonight* to discuss how welfare could be made more conditional. She was also a panellist on the ABC's Q&A program.

### Nanny state can't save us from ourselves



JESSICA BROWN

This month Manly Council erected a surfboard-shaped sign at its most famous beach to instruct board-riders how to behave in the surf. Two years ago the council installed a \$26,000 safety fence at the notorious "jump rock", where the young and young-at-heart plunge into the ocean below. This was in place to have rangers patrol

### Students are bound to be the biggest losers

The stand-off between Julia Gillard and the teachers union is a no-win situation

JENNIFER BUCKINGHAM



available to the public for the first time comparable academic performance information about all schools. These reforms will be the core of Gillard's legacy as Education Minister.

The NAPLAN tests are largely viewed favourably in the education community, including by teachers, but the AEU has set out to thwart Gillard's plans to continue publishing the results online. Talk of boycotting the NAPLAN tests began as early as January this year. The AEU's campaign

open to teachers unions is to sabotage the NAPLAN data by refusing to administer the tests, and that is what they intend to do.

To describe the NAPLAN moratorium as sabotage is not an overstatement. Even if the tests proceed without teacher participation, they will be contaminated. Primary school children in formal testing and are easily affected by changes in environment, such as the presence of unfamiliar adults. This can affect their performance in the test.

If the NAPLAN tests are not administered under normal conditions this year, it will not just be 2010 data that are affected. The consequences will be felt for years

The Australian Financial Review  
www.afr.com • Tuesday 9 March 2010

### Healthy outlook for blame game

Labor's hospital plan fails to get to the heart of bureaucratic inefficiencies, write **Wolfgang Kasper** and **Jeremy Sammut**.



# SOCIAL FOUNDATIONS

## Education

In July, CIS Research Fellow **Jennifer Buckingham's** paper *In Defence of Non-Government Schools* reinforced the role of non-government schools in society and made the case for their continued public funding. She also edited *Educating the Disadvantaged*, an edited collection of four speeches made at the education session of Consilium 2009, including her own.

Marking 10 years since she joined CIS, Jennifer published a collection of opinion pieces in the book *Schools of Thought* in July.

## Higher and vocational education

From 2012, Australia's public universities will be funded according to how many students they enrol rather than according to agreements with the government. For many years, CIS Research Fellow **Andrew Norton** has been calling for this policy change. He contributed a chapter showing the advantages of market over central allocation of student places to *Competition in the Training Market*, published by the National Centre for Vocational Education Research (NCVER).

Andrew gave presentations for the Centre for the Study of Higher Education at the University of Melbourne, the TAFE Directors Association, and the Centre.

*"Rationing of services by waiting based on relative need is an unavoidable feature of all government-run, taxpayer-funded health systems. But what Medicare has produced is an irrational and immoral rationing in the form of an inverse care law."*

*Jeremy Sammut, The Australian, 22 March 2010*

## Health and Ageing

The main focus of the Health and Ageing Program this year has been a trilogy of papers on the 'hospital crisis.'

In July, CIS Research Fellow Dr **Jeremy Sammut's** monograph *Why Public Hospitals are Overcrowded: Ten Points for Policy-makers* extended the argument for hospital vouchers to solve the national bed shortage and the resulting problems in public hospital emergency departments. Jeremy was interviewed on ABC 2's *Breakfast* and on Sky News' *Agenda*.

In November, the Centre published Dr **Jeremy Sammut's** *The Curate's Egg: A Response and Alternative to the Bennett Report* to coincide with the yearly meeting of COAG where the reform of the National Health and Hospital Reform Commission (NHHRC) was up for discussion. Jeremy's paper argued that the NHHRC blueprint for health reform is a flawed exercise in central planning, and proposed an alternative national hospital and health voucher scheme incorporating the key market-based principles of patient choice and provider competition.

## Governance, political freedom, and civil society

In July 2009, CIS Research Fellow **Andrew Norton** published an Issue Analysis paper *Diminishing Democracy: The Threat Posed by Political Expenditure Laws* on existing and proposed laws that threaten to pull any organisation commenting on election candidates or political parties into the donations disclosure system. In theory, much of Australian civil society could be caught by the legislation. These laws risk exposing minor political activists to criminal prosecution for their fundraising efforts, deterring donors whose names would be made public, and generating large amounts of costly and complex compliance work.

In January 2010, **Elise Parham** published *Behind the Moral Curtain: The Politics of a Charter of Rights*, which argued that a federal charter of rights would be used by special interest groups as a powerful political tool and would hinder democracy. It is pleasing to note that the Rudd government has recently announced that it will not be proceeding with a proposed charter of rights.



"The RBA's low public profile relative to the very noisy fiscal stimulus efforts of politicians is skewing perceptions of the relative importance of these two arms of macro policy in supporting economic activity. To correct these perceptions, the RBA's senior officers should follow overseas practice and front a media conference following each monthly board meeting to field questions from accredited media."

Stephen Kirchner, The Australian Financial Review, 24 July 2009

The Centre's economics researchers have been in high demand since last year for public comment on issues ranging from fiscal stimulus packages to the car industry and foreign investment. Throughout the global financial crisis, CIS has continued to provide a free-market perspective that would have otherwise been missed.

In July 2009, CIS Senior Fellow Robert Carling and CIS Research Fellow Dr Stephen Kirchner released a Policy Monograph called Fiscal Rules for Limited Government: Reforming Australia's Fiscal Responsibility Legislation recommending an overhaul of the Charter of Budget Honesty. This paper proposed a new federal Fiscal Responsibility Act to replace the Howard government's Charter of Budget Honesty.

In July 2009, CIS Research Fellow John Humphreys and CIS Policy Analyst Luke Malpass released Emissions Tax: The Least Worst Option, which outlined why an emissions tax linked with other tax cuts would be a big improvement over the proposed emissions trading system.

Dr Stephen Kirchner argued that taxation of capital gains raises little revenue but incurs significant efficiency losses in the Policy Monograph Reforming Capital Gains Tax: The Myths and Reality Behind Australia's Most Misunderstood Tax. This paper proposed that the review of the tax system currently being undertaken by Treasury Secretary Ken Henry should work towards alleviating the high tax burden on capital through extending the current concessional treatment of capital gains tax (CGT).

John Humphreys suggested in Ending the Churn: A Tax-welfare Swap that even if we doubled the GST to 20%, it would be unlikely to raise enough money to pay for our future Commonwealth health bill. He proposed that by removing this middle-class welfare in exchange

TAX REFORM SHOULD INCLUDE CUTS TO MARGINAL RATES

Reducing personal income tax rates was part of Labor's 2007 election platform

ROBERT CARLING

WITH THE commencement of the 2009-10 financial year, the government has been promising to cut the top rate of personal income tax from 45 per cent to 40 per cent.

It is unfortunate because the strong case for doing so before the crisis still exists.

The government might also step some ways of reducing the tax burden on the economy to improve its competitiveness in the world. Some would favour a 25 per cent top rate for annual personal growth.

This is a tall order since while we are able, and willing, to do it, we are not sure we are willing to do it.

Some of these are justified, but many violate the important tax principle that says equals should be treated equally.

They also distort taxpayer behaviour in favour of acting to take advantage of tax breaks, and they cost billions in foregone revenue and thereby cause marginal rates to be higher than they otherwise could be.

The reform agenda should focus on 10 concessions to cut the tax burden on the economy.

Present rates of personal income tax are still too much of an obstacle to patterns of behaviour conducive to stronger growth in productivity and the economy. Australia's personal income tax system has been reformed and tinkered with for decades by every government, but the job is far from finished. Under the Howard and Rudd governments, there have been large increases in the number of tax breaks.

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LEARNING ABOUT HAYEK THE HARD WAY



The PM should have listened to his least favourite economist

OLIVER MARC HARTWICH

Do his masterpiece, The Road to Serfdom, Friedrich Hayek considered the lives of politicians to be a waste of time. "We should grow wiser before we learn that much that we have done was very foolish."

Yet Hayek's economics offer some valuable explanations why the government's big stimulus package is bound to run into trouble. Furthermore, an ideology-making process could save lives from similar disasters in the future.

Although Hayek was one of the last great economists, it is fair to assume that he had never heard of risk factors. Nevertheless, he would not estimate a day to quickly roll out a nationwide monetary policy outside. At the core, the government's policies suffer from two

rather than economic constraints and there is no reason to expect flows of goods, services and capital to countries such as the US and Australia need to save more to reduce their reliance on foreign savings.

This is equivalent to arguing for a reduction in foreign investment. The US and Australia enjoy foreign capital inflows because they typically offer higher rates of return to foreign investors.

We would not be better off attracting more expensive domestic, or cheaper foreign, capital, have chosen the Australian economy.

IMBALANCES ESSENTIAL TO GLOBAL ECONOMIC SYSTEM

The problem is government distortion of capital flows for political purposes

STEPHEN KIRCHNER



THE federal Treasury's David Green recently told a conference at the University of Western Australia that global imbalances were implicated in the global financial crisis and it was desirable that they

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Australia's current account deficit should be celebrated

higher yields than US Treasury, but were also backed by an implicit (now explicit) US government guarantee. Imbalances between the US and China are often blamed on China's managed exchange rate regime, but the exchange rate is not the main driver of China's current account surplus.

China's current account surplus should be celebrated

for income tax cuts, churn could be reduced by as much as \$80 billion per year. The report proposed a mandatory minimum level of health insurance and schooling, but otherwise allows middle- and high-income earners to leave the welfare system.

CIS Research Fellow Dr **Oliver Hartwich** released an Occasional Paper titled *Neoliberalism: The Origins of a Political Swearword*, which has received media attention across the globe. Oliver also co-authored a paper with **Jennifer Buckingham**, *On the Right Track: Why NSW Needs Business Class Rail*, making a compelling case for business class carriages on longer train journeys. It is amazing that it took the CIS to bring up the issue of hot coffee and laptop connections that could be implemented without requiring additional public funding.

**Robert Carling** highlighted the fact that America's massive fiscal deficit has the potential to spur a second crisis in his Issue Analysis paper *Fiscal Shock and Awe in the United States*, in which he argued that timely debt reduction is essential if a crisis that would send worldwide shockwaves, including to Australia, is to be averted.

**Robert Carling** also released *The Unfinished Business of Australian Income Tax Reform* in March 2010, arguing that any tax reform will be hollow without significant personal income tax reform. The reform agenda for personal income tax should be to cut marginal tax rates; implement automatic indexation of thresholds for inflation; scale back the myriad selective tax breaks; and simplify.

The Henry Review and the government's response failed to deliver on income tax reform and the CIS released a paper *The Henry Review—An Initial Response* and also held a tax forum to discuss future directions.

In May 2010, Dr **Oliver Hartwich** proposed a slightly tongue-in-check idea—instead of an Emissions Trading Scheme, how about a Red Tape Trading Scheme? In *Towards a Red Tape Trading Scheme: Treating Excessive Bureaucracy as Just Another Kind of Pollution*, he argued that government should measure the regulatory costs on the Australian economy and consider a 'cap and trade' scheme to manage red tape.

*"It is easy to agree with the Henry report that the current array of state taxes leaves much to be desired. But in finding a replacement it is important not to throw the baby (accountability and state fiscal autonomy) out with the bathwater (economic inefficiency of present state taxes) if Australian federalism is not to be further undermined."*

*Robert Carling, Online Opinion, 13 May 2010*

## Kiwi Monetary Muddle

By STEPHEN KIRCHNER

New Zealand started a monetary-policy revolution when it introduced inflation targeting in 1990. That innovation swept the world in the 1990s, and was the more remarkable for the

said the current policy framework is "not well designed to produce a stable and competitive exchange rate, nor to keep interest rates as low as possible."

the inflation targeting, and its effects on the exchange rate bring

rather than promote international

## Canberra's Investment Confusion

By Stephen Kirchner

Chinese companies are increasingly looking to invest overseas, and foreign capitals are calibrating their policy responses. Australia, which has been the

China Nonferrous Metal Mining Group to walk away from the Australian rare earths explorer Lynas Corporation, worth 505 million Australian dollars (\$439 million). Conditions set by the Foreign Investment Review Board ultimately

ment with the U.S., but was no less welcome for that. The changes will reduce the costs, delays and uncertainties facing

some foreign investors. Yet even after that improvement, Australia still has one of the world's most restrictive regulatory regimes

this has increasingly had conditions attached. In some cases, these conditions have been absurdly prescriptive, including the levels of output and employment to be maintained at specific mining operations. They have also been explicitly protectionist in intent, with Treasurer Swan

ashamedly saying they are designed to "protect Australian jobs."

Mr. Cameron's speech last week

pushed all these problems. He told his

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## BIG SPENDING: CALCULATING FOR WELLBEING

*We should not resign ourselves to a bloated government*

STEPHEN KIRCHNER

TREASURY Secretary Ken Henry observed in a recent speech that the Whitlam government was "responsible for an enduring increase in the size of government." No argument there. But he went on to suggest this expansion has never been reversed and never will be.

But how big should government be? According to Henry, "the optimal size of government is not a question that can be answered by a technical economic analysis."

The issue, he says, "goes beyond aggregates to issues of wellbeing."

Under Henry, Treasury has adopted a "wellbeing framework." It identifies wellbeing with several criteria: the level of freedom and opportunity that people enjoy; aggregate consumption possibilities; the distribution of consumption possibilities; the level of risk that

government. On the contrary, there is abundant evidence big government fails these criteria for promoting wellbeing.

The literature on the optimal size of government finds that beyond a certain size, government

hinders rather than helps the private sector to capture gains from trade and to generate income and wealth. Limiting the size of government as a share of GDP not only expands aggregate consumption possibilities, it increases the scope for

New Zealand was between 19 per cent and 23 per cent of GDP. It would be surprising if the optimal size were any larger in Australia. Remarkably, John Maynard Keynes took a similar view. Keynes agreed on 25 per cent as the maximum tolerable proportion of taxation.

We can look beyond the implications of big government for economic growth to consider its implications for areas such as health, education and the environment.

Yet Henry insists a "lack of evidence of a clear relationship between increased expenditure in

concluded the optimal size of government is less than 30 per cent of GDP and that most governments in the developed world exceeded that between 1960 and 1980.

Tanzi and Schuknecht argue the second half of the 20th century constituted a global experiment in the effects of the growth of government, which pointed to its failure to improve wellbeing as defined by Treasury.

Yet Henry insists a "lack of evidence of a clear relationship between increased expenditure in





## INDIGENOUS AFFAIRS RESEARCH PROGRAM

The program's research, publications, participation in discussions, and media articles have continued to have an impact on the direction and content of the Indigenous policy debate—moving it towards greater recognition of the importance of education, employment, private property rights, and accountability.

In December 2009, CIS Policy Analyst **Sara Hudson** released her paper on Indigenous health *Closing the Accountability Gap: The First Step towards Better Indigenous Health*, which argued that closing the Indigenous health gap requires not just extra funding but more accountability. Complex funding arrangements lack transparency, and untargeted spending wastes resources. Better reporting is needed for improved patient outcomes and services. The story was run as 'breaking news' in all of Australia's main newspapers and websites.

independent researcher **Mark Hughes** released in April 2010. In *Indigenous Education 2010*, they argued that without changes to inept education policies, 40% of Indigenous students will continue to fail to meet national minimum standards. Depressingly, there has been little change in education policies, and the 2009 NAPLAN results show that the bottom 150 schools in Australia are nearly all Indigenous schools. This paper received significant media attention, with *The Australian* running a front-page story.

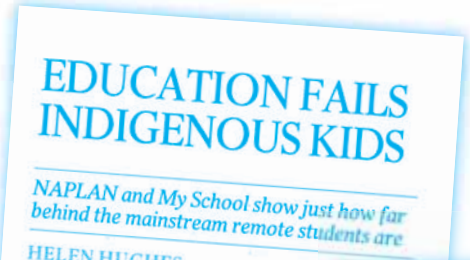
The government's ill fated Strategic Indigenous Housing and Infrastructure Program (SIHIP) has lent weight to **Sara Hudson's** argument for private homeownership for Indigenous communities (outlined in her paper *From Rhetoric to Reality: Can 99-year Leases Lead to Homeownership for Indigenous Communities?*) and more and more people are beginning to see the merit in having 99-year leases for communities.

**Helen Hughes** and **Mark Hughes** also released *Employment, Unemployment and Labour Force Participation: Facts for Evidence Based Policies* in March 2010, which highlighted that Indigenous unemployment is stuck at 15% while unemployment in the rest of Australia is back to 5.3%.

The problem is not a lack of jobs but government policies that have made many Aborigines unemployable. Transition from welfare to work will never be achieved unless the repackaging of welfare, which has allowed Aborigines to avoid mutual obligation rules, ends.

*"The majority of Indigenous Australians do not need government handouts but they do deserve some recognition. They are the forgotten Indigenous Australians."*  
**Sara Hudson,**  
*The Sydney Morning Herald, 12 May 2010*

Indigenous education has also been the subject of more research, with a follow-up paper by CIS Senior Fellow **Helen Hughes** and



## FOREIGN POLICY & INTERNATIONAL RELATIONS

The Centre's foreign policy work has built on the momentum developed over the last few years. The aim is not to simply comment on current events but to take a forward-looking approach in anticipating and explaining likely developments that are taking place in our region. Foreign policy research remains prolific and continues to enjoy considerable impact and exposure—both in terms of exerting direct influence on policymakers as well as a prominent presence in Australian and global media.

Beginning our Foreign Policy Analysis series was the report *Why America will Lead the 'Asian Century'* released in July 2009. CIS Research Fellow Dr **John Lee** showed that even though the beginning of the end of America's strategic primacy in Asia is commonly predicted, the decline of US influence in Asia will occur far slower—if at all—than it is commonly believed. America is the preferred choice as leader of the informal hierarchical security system in Asia—and will become even more so as new powers rise.

Australia must recognise the growing confidence, power and influence of India if we are to remain a relevant middle power in the Asia-Pacific region.

In *The Importance of India: Restoring Sight to Australia's Strategic Blind Spot*, released in November 2009, Dr **John Lee** discussed Canberra's strategic blind spot in relation to India. The future credentials of India are consistently ignored or given relatively little attention by officials

and strategists in Canberra. Beyond token statements acknowledging its rise, India remains our great strategic blind spot.

In May 2010, CIS released *The Fantasy of Taming China's Rise*, in which Dr **John Lee** argued that the belief that China will be content to rise as a 'responsible stakeholder' in a US-led regional and global order is out of date. Instead, a new framework needs to explicitly recognise that China is both an 'economic partner' and a 'strategic competitor' to America and its allies such as Australia.

Well over 50 foreign policy opinion pieces and points of view have been published and reported in major global newspapers such as the *New York Times* and *Boston Globe* (USA); *International Herald Tribune*, *The Times*, and *The Guardian* (UK); the *Hindustan Times* and the *Times of India* (India), as well as all major Asian newspapers, including the *South China Morning Post*, *China Post*, and the *Oriental Morning Post*, in addition to all major Australian newspapers. Our opinions have also

been published in major journals and magazines such as *Time*, *Forbes*, *Newsweek*, *Business Week*, *Der Spiegel*, *Foreign Policy*, and *World Politics Review*. Radio interviews have been aired on international networks such as the BBC and Voice of America as well as in all major Australian radio networks. Television interviews include international channels such as Fox News, BBC World News, Al Jazeera as well as Australian channels such as ABC, Seven, Nine and Sky News.

*"China has big economic plans and ambitions in Africa that go beyond oil and minerals. While much of the world still views Africa as a basket-case continent, Beijing is thinking ahead and busy establishing a foothold in Africa's potentially large consumer markets."*

*John Lee, Time magazine, 9 November 2009*





# NEW ZEALAND

## NEW ZEALAND POLICY UNIT

The highlight for the New Zealand Policy Unit in 2009 was the very successful **Flight of the Kiwi** event hosted by the CIS in an attempt to discover what may entice expat New Zealanders to embark on a return trip. We wondered whether the the flight of the Kiwi forever be a one-way trip from New Zealand to Australia?

“Apart from a few possible random changes in the tax system and references to economic growth, there is little to inspire confidence that the Key government is clear about its objectives or, more importantly, how to achieve them. If he doesn’t come to his senses—and return to the reform track—soon, New Zealand risks missing opportunities for growth.”

Luke Malpass,  
The Wall Street Journal,  
26 February 2010

CIS Policy Analyst **Luke Malpass** was joined on the panel by former All Blacks’ captain and Fairfax CEO **David Kirk** MBE, fellow Kiwi and business broadcaster **Andrew Patterson**, and Dr **Don Turkington** from the NZ government’s Regulatory Responsibility taskforce to discuss how best to help New Zealand achieve parity with Australian living standards by 2025.

This event generated significant debate and discussion in New Zealand.

In July 2009, **Luke Malpass** released *KiwiRail: Doomed to Fail*, which argued that under state ownership KiwiRail will never return a profit, and even under private ownership it will struggle unless roads are priced

properly. This paper was covered extensively in the media, discussed by the Minister **Stephen Joyce**, and commented on by Prime Minister **John Key**.

In March 2010, **Luke Malpass** and CIS Research Fellow Dr **Oliver Hartwich** tried to kick start New Zealand’s democracy in *Superseding MMP: Real Electoral Reform for New Zealand* where they argued that New Zealanders needed to seize the opportunity of the upcoming referendum on electoral reform and reinvent their system of government. They recommended that New Zealand should abolish its Mixed Member Proportional system (MMP) and reform the structure of Parliament.



# PUBLICATIONS

## PUBLICATIONS

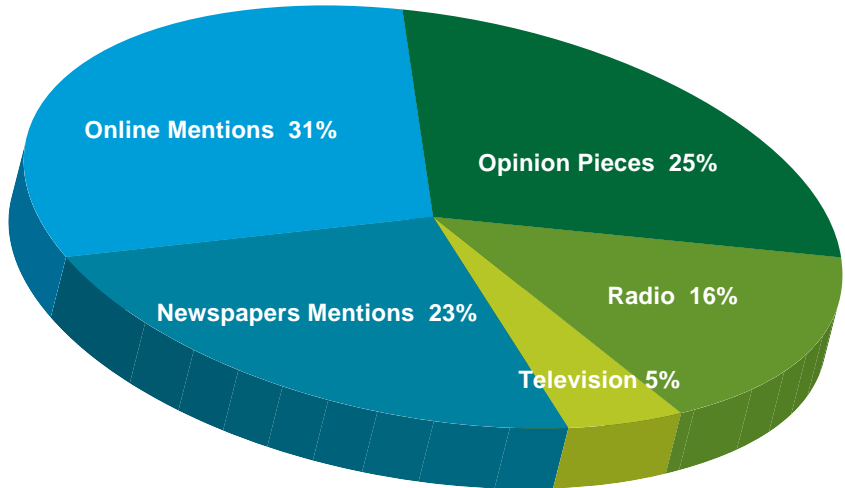
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- JUNE
- [Neoliberalism: The Genesis of a Political Swearword](#) Oliver Marc Hartwich
  - [Fatally Flawed: The Child Protection Crisis in Australia](#) Jeremy Sammut
  - [The Folly of Criminalising Cartels](#) Jason Soon
- 
- JULY
- [Schools of Thought: A Collection of Articles on Education](#) Jennifer Buckingham
  - [In Defence of Non-Government Schools](#) Jennifer Buckingham
  - [Fiscal Rules for Limited Government: Reforming Australia's Fiscal Responsibility Legislation](#) Robert Carling and Stephen Kirchner
  - [Emissions Tax: The Least Worst Option](#) John Humphreys and Luke Malpass
  - [Why Public Hospitals Are Overcrowded: Ten Points for Policymakers](#) Jeremy Sammut
  - [Diminishing Democracy: The Threat Posed by Political Expenditure Laws](#) Andrew Norton
- 
- AUGUST
- [Why America Will Lead the 'Asian Century'](#) John Lee
- 
- SEPTEMBER
- [KiwiRail: Doomed to Fail?](#) Luke Malpass
  - [Family on the Edge: Stability and Fertility in Prosperity and Recession](#) Barry Maley
- 
- OCTOBER
- [Educating the Disadvantaged](#) Jennifer Buckingham (ed)
  - [Ending the Churn: A Tax Welfare Swap](#) John Humphreys
  - [The Past is the Future for Public Hospitals: An Insider's Perspective on Hospital Administration](#) John Graham
  - [What's Next for Welfare-to-Work?](#) Jessica Brown
  - [Fiscal Shock and Awe in the United States](#) Robert Carling
  - [Going First Class](#) Oliver Marc Hartwich and Jennifer Buckingham
- 
- NOVEMBER
- [US-India Strategic Cooperation](#) John Lee
  - [Reforming Capital Gains Tax](#) Stephen Kirchner
  - [Curate's Egg: A Responsive and an Alternative to the Bennett Report](#) Jeremy Sammut
  - [Closing the Health Gap](#) Sara Hudson
- 
- DECEMBER
- [25th John Bonython Lecture](#) P. J. O'Rourke
- 
- JANUARY
- [Behind the Moral Curtain: The Politics of a Charter of Rights](#) Elise Parham
- 
- MARCH
- [The Unfinished Business of Australian Income Tax Reform](#) Robert Carling
  - [Shooting the Messenger: The Ban on Short Selling](#) Stephen Kirchner (ed)
  - [Superseding MMP: Real Electoral Reform for New Zealand](#) Luke Malpass and Oliver Marc Hartwich
  - [Indigenous Employment, Unemployment and Labour Force Participation: Facts for Evidence Based Policies](#) Helen Hughes and Mark Hughes
- 
- APRIL
- [Indigenous Education 2010](#) Helen Hughes and Mark Hughes
  - [Defeating Dependency: Moving Disability Support Pensioners into Jobs](#) Jessica Brown
- 
- MAY
- [The Fantasy of Taming China](#) John Lee
  - [Towards a Red Tape Trading Scheme: Treating Excessive Bureaucracy as Just another Kind of Pollution](#) Oliver Marc Hartwich





## CIS MEDIA MENTIONS JUNE 2009 – MAY 2010



The Centre scored a total of 1,224 media mentions from June 2009–May 2010.

CIS researchers published 308 opinion pieces, and gave 196 radio interviews and 54 television interviews. The Centre was also featured in newspaper articles 285 times and blogged more than 400 times.



### Let internet replace journals



# LIBERTY & SOCIETY

## LIBERTY & SOCIETY

### L&S CONFERENCE

#### September 2009

The conference opened with a dinner speech by Dr **Tanveer Ahmed**, who is researching politics in Pakistan. The lecturers for this conference were Professor **Greg Melleuish**, School of History, University of Wollongong (Political History); Dr **Jason Potts**, School of Economics, University of Queensland (Economics); Dr **Darryn Jensen**, School of Law, University of Queensland (Law); and Dr **Stephen Kirchner** and Dr **Oliver Hartwich** from CIS (GFC).

Attendees included students of mining, biotechnology, business, law, commerce, economics, political science, and media degrees and those starting at Access Economics and the Department of Treasury in Canberra and Western Australia. As usual, they were an intelligent and engaged group who gained a lot from the conference.

*A fantastic conference that facilitated discussion of ideas that are severely under-represented at university – Adrian Dean*

*Truly one of the best weekends of my life ... I revelled in the opportunity to spend all hours of the day discussing politics, economics and social justice issues – Holly Ransom*

#### May 2010

Due to the Centre's involvement in running the international **Mont Pelerin Society** meeting later this year, it was decided that only one L&S conference would be held in 2010. On the first weekend of May, 30 young people from all over Australia and New Zealand attended the conference. As usual, the quality of the students was impressive, with all doing or having done double degrees. Three have just started in economic consulting, a number are working part-time for federal and state MPs, and others are tutoring at their university. Our successful format was used with four lecturers attending. New lecturers Professor **Nicholas Aroney** took the law session and Professor **Warwick McKibbin** talked about the Economics of Climate Change. Dr **Jeremy Shearmur**, Dr **Oliver Hartwich**, and Dr **Stephen Kirchner** returned to lecture on political philosophy and economics.

### POLITICAL SUCCESS FOR L&S AMUMNI

Congratulations to **Kelly O'Dwyer**, who has attended both the Introductory and Advanced L&S conferences, for her election to the seat of Higgins in Victoria at the recent by-election.

Many other L&S alumni are working in the political arena. **Michael Keenan** is the federal Shadow Minister for Justice and Customs; **Scott Ryan** is a Senator in the Victoria; **John Gardner** is the Liberal Member for Morialta in the SA Parliament; **Michael O'Brien** is the Victorian Shadow Minister for Infrastructure; and **Joshua Frydenberg** has been preselected for the blue-ribbon Liberal seat of Kooyong. In New Zealand, **Simon Bridges** is the National Party Member for Tauranga.





## FUNDRAISING

The CIS team has devoted itself to tackling the recent challenges facing many charitable organisations. In doing so, the Centre has augmented its multi-faceted fundraising strategy, focusing on raising funds both nationally and internationally and offering a wider range of giving options. The goal is to expand the Centre's activities and ensure its longevity.

Cementing the future of our organisation is imperative if we are to continue promoting the core values at the heart of the Centre and strengthen our capacity as a truly independent voice—the key to contributing to public policy debates that seek to positively impact our way of life. Funds are received via:

- Individual and corporate membership subscriptions
- Individual, corporate and charitable foundation donations
- Workplace Giving program **NEW!**
- Bequest program
- Capital fund

### Donations

The CIS witnessed an increase in donations received in the latter months of 2009, improving after a year-on-year decrease in the January–June period. Funding levels have steadied since the beginning of 2010; however, it will remain a tight year economically as some major pledges to current policy programs are nearing their end. Donations are the lifeblood of our work and we therefore ask all our donors for their continued support during these trying times.\*

### Memberships

The Centre's individual members, principally from Australia and New Zealand, come from a wide range of backgrounds and include many prominent members of the media, politics, academia and the business community.

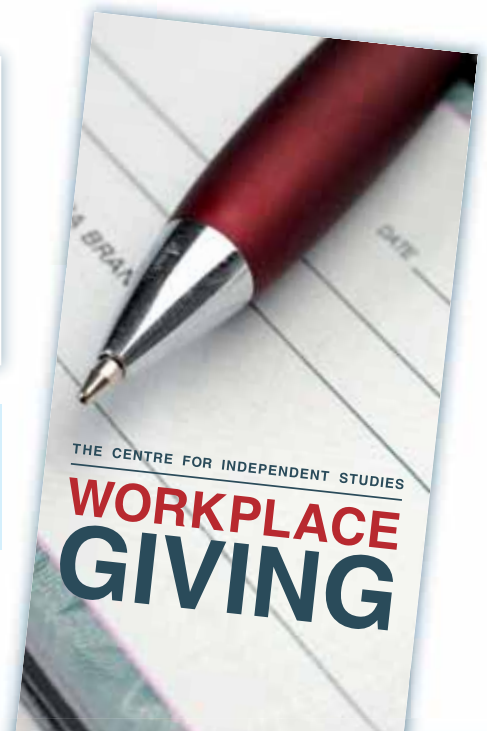
During the unfortunate economic climate of the last 12–18 months, our membership program has been increasingly important in providing the Centre with a stable income base.



# FUNDRAISING



*Donations received throughout 2009-10 enabled CIS staff, Emeritus Professor Helen Hughes and Policy Analyst Sara Hudson, to continue their research into Indigenous Affairs policy reform.*



## Bequests

The CIS Bequest Program—established in 2008—has generated considerable interest as a means of supporting the Centre beyond our current membership and donations structure. The Centre looks forward to hearing from members and friends who may be considering a bequest to CIS, either by a single gift of cash, property, shares or even a percentage of their estate. By informing the Centre of your intent to leave a bequest, you are helping to ensure the longevity of an organisation that is dedicated to strengthening the moral legitimacy of a free-market economy and a free society. Will this be your legacy?

## Capital Fund

Traditionally, the Centre has raised and spent its budget each financial year. Whilst this ensured an absolute efficiency in the use of our funding, it left us with few reserves. The Capital Fund was established in 2006 as a five-year program designed to address this issue.

To date, the Capital Fund has passed the \$4 million mark, and by the end of 2010 the Centre looks forward to reaching its target of \$5 million. Through conservative investment, the fund has performed well and our core funds and earnings are intact.

We would like to thank all our members, supporters and donors who have contributed to the Centre's growing intellectual capacity. You have given us the strength and resources necessary to expand our activities, providing pragmatic solutions to public policy issues that affect our families and communities across the nation.

***Thank you.***

*For further information on memberships, donations workplace giving, bequests or the capital fund, please call the CIS on (02) 9438 4377 or go to [www.cis.org.au](http://www.cis.org.au).*

\*Donations over \$2 are tax deductible.



## NEW CIS STAFF



**Ryan Acosta** has joined CIS as our Graphic Designer/Desktop Publisher. Prior to joining the CIS, he worked as the Desktop Publisher for Coates Hire Pty Ltd for a number of years as well as doing freelance graphic design work.



**Alanna Elliott** is Executive Assistant to Greg Lindsay and the Centre's Events Assistant. She has a Bachelor of Communication Studies majoring in Television Production from the Auckland University of Technology. Before moving to Sydney in 2008, she was Head of Production on an after-school children's television show in New Zealand. She also has a background in the performing arts.



**Diana Kennedy** is the Corporate Development Officer. She has a strong background in the corporate environment, having worked for many years in the finance industry and most recently as a Transformation Program Manager with the National Australia Bank. She has previously worked overseas for UBS Business Banking. Di has a Masters of Business Administration from the Open University, Milton Keynes, England.



**Dr Stephen Kirchner** is now combining his interests in academia and research. Stephen divides his time between his role as a Senior Lecturer, School of Finance and Economics at the University of Technology (UTS), Sydney, and as Research Fellow in the Centre's Economics Program.



**Elise Parham** was a Policy Analyst (2009) with the Social Foundations Program. Her research interests included the possibilities for legal protection of human rights and the ramifications of affirmative action programs. Elise has degrees in Law (Hons) and Economics from the Australian National University.



**Jane Thackray** is one of our Office Administrators. Jane has many years' experience in administration. Prior to joining CIS, she worked as Company Secretary/Administration for a building company.



**Hannah Treloar** is our Public Affairs Manager. She has a BA majoring in Politics and American Studies from Flinders University in South Australia. Hannah's previous experience is in politics as an Electorate Advisor for Senator Simon Birmingham and for The Hon. Christopher Pyne MP.

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## CIS STAFF AND BOARD OF DIRECTORS

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We must make the building of a free society once more an intellectual adventure, a deed of courage. If we can regain that belief in the power of ideas, which was the mark of liberalism at its best, the battle is not lost.

— F. A. HAYEK



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