

# PréCIS

The Centre for Independent Studies



# The Centre for Independent Studies

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

- Individual liberty and choice, including freedom of association, religion, speech and the right to property
- 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 programme

## Funding and independence

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

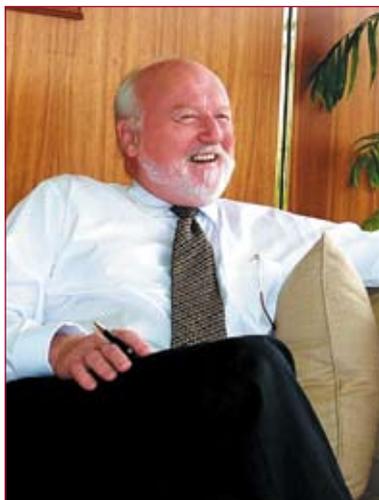
'Independent' in our name means:

- we are politically non-partisan
- research is not directed by our supporters

PRÉCIS JULY-DECEMBER 2006



## From the Executive Director



It goes without saying that 2006 was a wonderful year for The Centre for Independent Studies. Celebrating its first 30 years as we did so successfully throughout the year is a good foundation for the next. It's important to reflect on past achievements for sure, but that's the past and as a leader in ideas, we have to look forward. However, the best ideas of the past also inform the future.

The 30th Anniversary dinner in May saw the launch of a Capital Fund aimed at giving the Centre some measure of financial security, but also to further underpin the Centre's independence. The initial target set for the Fund by 30 June 2007, with a bit more work, looks close to being met. This is especially satisfying and a great start to our next 30 years and my sincere thanks to all those who have supported the Fund so far. We have a longer term target and members and supporters will be informed of the progress.

I was particularly pleased that 30 years after our first seminar was held, we could repeat the exercise. On a rainy night at Macquarie University in October 1976, our first 'Principles of Freedom Seminar' was held. As it turns out, the series only had one instalment, but of course CIS has stayed steadfast to those principles and when we returned to Macquarie in October 2006, the theme discussed by Arthur Herman and Greg Melleuish was 'The Idea of Liberty in History'.

In 2006, Bob Day resigned from the Board of the Centre. Bob had been a very active Board member, but he gained pre-selection for a seat in the forthcoming federal election and as required by the Centre's constitution, he could no longer hold office. I thank him particularly for his support and he assures us he will maintain a strong interest in the CIS, elected or not!

Two new Board members were appointed and I welcome Lucy Turnbull and Nicholas Moore. Further details about both new directors can be found later in PréCIS.

There are many great minds whose work informs what we do at CIS. Sadly, one of them, Milton Friedman, died in late 2006 after an extraordinary life of achievement. He was still publishing and commenting not long before he died at the age of 94. His work from the technical to the popular has been some of the most influential in economics and politics. His commitment to freedom underpinned pretty much all he did:

'At the bottom of many criticisms of the market economy is really lack of belief in freedom itself. The essence of political freedom is the absence of coercion of one man by his fellow men. The fundamental danger to political freedom is the concentration of power. The existence of a large measure of power in the hands of a relatively few individuals enables them to use it to coerce their fellow men. Preservation of freedom requires either the elimination of power where that is possible, or its dispersal where it cannot be eliminated'.

I think that's a pretty fair statement of how we think around the CIS too.

Another who also died in late 2006 was my dear friend Ralph Harris. Lord Harris of High Cross, the first General Director of London's Institute of Economic Affairs, delivered the John Bonython Lecture in 1986. I will close by quoting the final sentence in his 1986 Lecture:

'With the intellectual argument powerfully in favour of freedom, let us challenge all democratic parties to join in competition for restoring competitive economics as the indispensable condition of freedom and progress'.

Let us indeed issue that challenge, especially in an election year in Australia.

# CONSILIUM

Consilium 2006 was a stimulating and agenda setting discussion of future public policy, science and culture issues. The programme included six sessions on both local policy concerns and more strategic international issues.

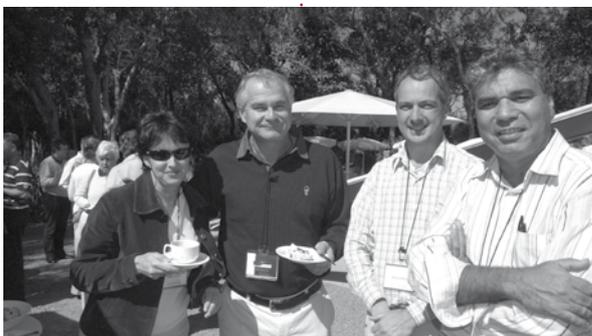
Pramit Pal Chaudhuri, Foreign Editor of the *Hindustan Times*, gave the opening address, revealing the USA's new policy of largesse toward India and explaining the policy shift on nuclear and security issues: 'Liberal democracies help build up other liberal democracies because it's the only political system that has greater faith in its values than it does in its power.'



In 'Emerging Problems in the Region', discussion turned to Australia's immediate foreign policy concerns. CIS' Susan Windybank discussed the problems of governance and economics among small Pacific nations, ANU's Hugh White discussed West Papua and its implications for Australia's relationship with Indonesia, Sidney Jones of the International Crisis Group gave an update on South East Asian terrorism and CIS'

Miranda Darling Tobias discussed transnational health risks and infectious disease epidemics. The Minister for Foreign Affairs and Trade, Alexander Downer, also noted that 'we have a moral obligation, which could be reinterpreted as a political obligation, to help our regional neighbours.'

In the 'Schools, Markets and Competition' session Mark Harrison said that 'public education should mean the education of the public and not the monopoly provision of education.' CIS' Jennifer Buckingham also made the case for school choice in a competitive open market. Former Education Minister David Kemp argued that making data available would stop the private/public debate from descending into a contest between collectivist and individualist ideologies. Andrew Haldenby of UK think tank Reform agreed that competitive school arrangements would introduce dynamism into current static bureaucratic systems.



Danish thinker and author of *The Skeptical Environmentalist*, Bjørn Lomborg, summarised his Copenhagen Consensus project. In this 'Mission Possible' session, other speakers included the World Bank's Kym Anderson, ADFA's David Lovell, AEI's Roger Bate and Liberal MP Malcolm Turnbull. They discussed the most pressing concerns of developing nations and how global action could be prioritised to most efficiently help the needy.

Short talks over breakfast were delivered by Vice Chancellor of Macquarie University, Steven Schwartz, and journalist/psychiatrist Tanveer Ahmed. Two Breakfast Conversations were also held: 'Climate Change: An Update' between Bjørn Lomborg and Roger Bate; and a discussion between indigenous political leaders, Warren Mundine, President of the ALP and ex-New Zealand Cabinet Minister, John Tamihere.

The 'Science Fiction and Science Fact' session set out to discover if the new science of nanotechnology will transform our world. Richard Jones of the University



of Sheffield, explained that 'Nanotechnology is not just one technology. It is only this idea that we are working in this immensely small regime—perhaps a million times smaller than the sizes we are used to—that links these things.' Matt Trau, Director of the Centre for Nanotechnology and Biomaterials was voted one of the most popular Consilium speakers with a lively hands-on account of nanotechnology in action. Other speakers included CSIRO's Terry Turney and SMH's science editor Deb Smith.

In 'Explaining the Housing Market Puzzle', Wendell Cox, Principal of Demographia, discussed housing affordability in the current economic climate as well as other demographic issues that would be impacted by the decline in housing availability. Other speakers included Bernard Salt, Property Partner KPMG, Gary Banks, Chairman of the Productivity Commission and Glenn Stevens, then Deputy Governor of the Reserve Bank of Australia.

The final and most popular session 'Don't Let Freedom be a Memory: Confidence and Culture of the West' explored the core issues of Western civilisation, how we interpret these values today and most importantly how, in a world of diaspora and demographic change, the West should live. La Trobe University Professor John Carroll said that 'Each generation has to retell its fundamental stories in a way that speaks to the times.' *The Australian's* Janet Albrechtsen argued for injecting optimism into our culture by recognising the great strengths of individual liberty, the separation of church and state and Western culture's unique self-correction mechanism of constant questioning. NSW Chief Justice Jim Spigelman offered a practical view on the rule of law, while historian Keith Windschuttle emphasised the importance of British Enlightenment traditions.

And Consilium's star speaker, journalist Mark Steyn, managed to present cheerless news on the deterioration of Western values in a witty discussion of demographic changes: 'The West is dying, not just spiritually but literally through collapsed birth rates'. He went on to elaborate on these issues in the closing dinner address.



*'The West is dying, not just spiritually but literally through collapsed birth rates'*

## The 23<sup>rd</sup> Annual John Bonython Lecture History as the story of Liberty: A Globalised Western Civilisation

Dr Arthur Herman

24 October, 2006, Crowne Plaza, Auckland.

25 October, 2006, The Park Hyatt, Melbourne.

*“The clash between liberty and authority has given Western civilisation its constant dynamic of change and improvement—which I am suggesting to you will become the new dynamic in the rest of the world in the century to come.”*

Dr Arthur Herman delivered an absorbing lecture to over 200 guests in Auckland and 300 guests in Melbourne, discussing the power of liberty to shape a better world. He explored the idea that a prosperous and culturally diverse world depends on the human freedoms embedded in a globalised Western civilisation.

**Dr Arthur Herman** is a writer and was Coordinator of the Smithsonian Institution’s Western Heritage Program. He has been a Professor of History at both George Mason and Georgetown Universities. His most recent book ‘To Rule the Waves: How the British Navy Changed the World’, was nominated in 2005 by the UK’s Mountbatten Prize for the best book in naval history.

## Big Ideas Forum

### It’s Not Them, It’s Us: The need to regain confidence in Western Culture

14 August

Attracting a sellout audience of over 500 people and filling the Conservatorium of Music’s Verbrugghen Hall to capacity—the Big Ideas Forum this year featured celebrated international journalist Mark Steyn. Having written for a number of leading newspapers in the English-speaking world, Steyn was joined on stage in Sydney by two more writers—Janet Albrechtsen of *The Australian* and CIS Senior Fellow and founding editor of *The National Interest*, Owen Harries.

The topic provoked some spirited discussion about what Western Culture is and how a modern society upholds its own values in a globalised world.

Steyn: *“Non-judgemental multiculturalism, cultural relativism, is an obvious fraud and I think it’s subliminally accepted on that basis. I think that, after all, most people, given the choice, don’t want to live in anything but an advanced Western society. They think that pretending that all societies are equal is in a sense part of the wallpaper of living in an advanced Western society.”*

## Acton Lecture on Religion and Freedom

### Religion and Politics: Contemporary Tensions

11 December, Lightwell Auditorium, Sydney

Paul Kelly, Editor at Large of *The Australian* believes 'God is making a comeback, at least in much of the world'. Delivering the 8<sup>th</sup> annual Acton lecture, Kelly linked philosophical values with direct policy and political outcomes. Kelly's insights into the relationship between religious political leaders and the growing yearning for moral leadership among the populace indicated that religion and politics are still contemporary tensions: '...as values and religious ethics become more prominent in political debate there needs to be moderation on all sides. Churches must realise they have no claim, outside validation by the democratic system, to impose their beliefs upon others. Politicians, in turn, have an obligation to treat church views as legitimate expressions not as unwelcome intrusions into the political debate and decision-making.'

## CIS Lecture:

### The Politics of Difference: Multiculturalism and the Rise of Islamism

11 October, Angel Place Conference Centre, Sydney

Munira Mirza is a young, talented writer and researcher, as well as a keen observer of issues in cultural policy and identity. In her sold-out CIS Lecture Mirza argued that religious extremism isn't simply a foreign problem imported from abroad, but emerges out of the political and cultural disorientation in Western society today. She described how the emphasis on 'identity' has established an unhealthy framework that encourages ethnic and religious groups to assert their difference in order to receive recognition, undermining the possibility of universalism.

## CIS Lecture:

### The Failure of Aid

4 December, Macquarie Bank Auditorium, Sydney

Deepak Lal: 'Whether or not there was ever a time for foreign aid, the time for that idea has gone.'

In this CIS Lecture, Professor Deepak Lal discussed how many countries currently experiencing rapid rates of growth have not been major recipients of foreign assistance, while those stagnating have often received considerable aid.

Deepak Lal is Professor of International Development

Studies at UCLA and Professor Emeritus of Political Economy, University College London.

## CIS History Forum: The Idea of Liberty In History

Thursday October 26, Macquarie University

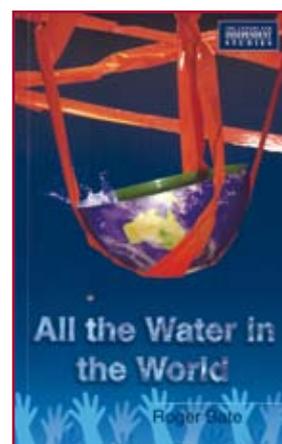
30 Years after the Centre for Independent Studies held its first event, 'The Principles of Freedom Seminar' at Macquarie University in October 1976, the centre held a commemorative forum chaired by Professor Steven Schwartz to mark the occasion and to develop the theme of liberty. 'The Idea of Liberty in History' was explored in a global context by American historian Dr Arthur Herman, and Dr Greg Melleuish examined the idea of liberty in Australian history.

## Book Launch: All the Water in the World

By Roger Bate

15 August, Parliament House, Canberra

Leading economist from the American Enterprise Institute and Non-Resident Fellow of CIS, Roger Bate, launched CIS' latest book in Canberra—All the Water in the World. Bate argues that water shortages are primarily due to mismanagement of water resources, especially in agriculture, due to government interference.



EVENTS





## THE POLICYMAKERS

**28 June**

### **Hon Alexander Downer MP: Should Australia think big or small on foreign policy?**

The Minister for Foreign Affairs and Trade weighed up Australia's role in a globalised world and decided that indeed we should think and act big, particularly in our region and in response to the big issues like democracy, security and climate change.

**20 September**

### **Hon Tony Abbott MP: What if we could start again? Elements of an ideal health system**

Minister for Health and Ageing Tony Abbott discussed the role of the market in health provision and the major challenges facing health policy.

**5 October**

### **Dr Craig Emerson MP: Expanding Opportunity or the Welfare State?**

ALP Shadow Minister for Service Economy, Small Business & Independent Contractors Craig Emerson argued that expanding the welfare state results in lower levels of workforce participation and acts as a disincentive for people to move from welfare to work. He set out a national government reform program to curtail the growth of the welfare state while expanding opportunity through education.

**16 November**

### **Kevin Rudd MP: How the tide is turning toward a social democratic alternative in Australian policy**

Kevin Rudd delivered an impressive lecture to a sell out crowd at this forum shortly before being made leader of the ALP. Rudd contested the role of capital markets in dealing with the family and climate change and sparked significant debate. Although Rudd's take on Friedrich Hayek's view of the market differs to that of CIS, the Centre is pleased to provide a platform to discuss these crucial issues and to stimulate debate on the important ideas underpinning the prosperity and freedom we enjoy in Australian society.

**30 November**

### **Hon Greg Hunt MP Climate Change: Preparing for the coming century**

The Federal Parliamentary Secretary for the Environment Greg Hunt delivered the Liberal Party's vision for managing climate change for the next century. 'Climate change is not insurmountable. We have faced "the end of the world" before, and survived. We possess the resources, the technology and the will to tackle climate change now, domestically and internationally.'

# New Zealand Policy Unit

2006 has been a highly successful debut year for the CIS's New Zealand Policy Unit. Its work has stimulated widespread debate, forced the government to respond to important issues and established the CIS as a new and respected voice in policy debates.

A total of three Issue Analysis papers, a *Policy* article and eight opinion pieces have been published this year, along with over 50 separate mentions in the media.

The theme of over-taxation has continued with two Issue Analysis papers published in the second half of the year. Phil Rennie's paper *How to Fix a Leaky Tax System* was praised by the Institute of Chartered Accountants (ICANZ) and ACT Party leader Rodney Hide, who said the paper "sheds new light on how the politics around tax has become more important than good policy." The following paper *Why Tax Cuts are Good for Growth* was discussed by a range of prominent broadcasters and columnists, and was republished in the *Free Radical* magazine.

In July the CIS made a written submission to the government's business tax review, arguing in favour of lower, flatter taxes. Phil was also interviewed by the media on this issue.



In September Phil attended a major tax conference in Christchurch as a guest of ICANZ. A total of four trips were made to New Zealand this year for research and meetings, including meetings with the New Zealand CIS Board members in March and October. The annual John Bonython lecture was held

in Auckland on the 24<sup>th</sup> of October and attracted a healthy turnout to hear Professor Arthur Herman's lecture on "History as the Story of Liberty". An article "The Rise and Fall of the State in New Zealand" was published in the spring *Policy* magazine, looking at the resurgence of statism in New Zealand. This theme will be continued in early 2007 with an Issue Analysis focussing on government spending.

Taken together, the work of the New Zealand Policy Unit in 2006 has painted a coherent and compelling picture of a bloated state confiscating an excessive chunk of the nation's wealth.

Next year's research and publications will look at another key challenge facing New Zealand: social dysfunction and welfare dependency. In addition, the CIS will look to increase its impact by recruiting more New Zealand researchers to start publishing on a wider variety of topics.

*"Congratulations. Your work on the tax comparison was the most powerful shot in the battle around the Budget. Earlier releases and comments had not gained traction..."*

*Your work reopened the issue...and [has] now sealed the verdict in public opinion. Thank you."*

*- Email from a former New Zealand MP*

# Indigenous Affairs Research Programme

The Indigenous Affairs Research Programme continues to have an impact on the indigenous policy debate. In 2006, it has been particularly rewarding to see the property rights reform urged by Helen Hughes and Jenness Warin reflected in changes to the Aboriginal Land Rights (Northern Territory) Act 1976 to allow for 99 year leases.



*'One of the great contributions of the CIS study, by policy analyst Kirsten Storry, is its cogent case for private-sector support across a range of initiatives.'*  
*Luke Slattery,*  
*The Australian Financial Review,*  
*4 September 2006*

In August, Policy Analyst Kirsten Storry entered the debate over indigenous education with *Tackling Literacy in Remote Aboriginal Communities*. She examined literacy levels in remote communities and argued that it is time to trial innovative solutions, including greater private sector involvement. The paper was widely reported in print and online media, and Kirsten gave thirteen radio interviews over two days.

In September, Kirsten undertook a research field trip to Cairns and the remote Northern Territory community of Banyala as part of her research into indigenous education issues.

In November, the Hon John Cleary contributed again to the debate over remote community governance with *Indigenous Governance at the Crossroads—The Way Forward*. His paper received significant interest in policy circles and John, together with Helen Hughes, presented a workshop to the senior executive of the Office of Indigenous Policy Co-ordination.

Helen Hughes and Kirsten Storry have continued to provide timely commentary in newspaper opinion pages. Helen has written on funding and governance in the *Canberra Times*. Kirsten has written on literacy in the *Australian*, *Courier Mail*, *Canberra Times* and *Adelaide Advertiser*, and on school attendance in the *Courier Mail* and *West Australian*.

In early 2007, Helen Hughes will publish a Policy Monograph on indigenous policy developments over the two years since CIS entered the indigenous debate. Kirsten Storry will publish an Issue Analysis on what is working in education in remote indigenous communities. The programme will then turn its focus to indigenous health.

# Foreign Policy and International Relations

One of the Centre's strategies for getting well-honed policy ideas into the public arena is to work towards a major book through lectures, workshops and Issue Analysis papers. The feedback is enormously valuable in sharpening our thinking. This has been the case with the writing of a major CIS book on the Pacific. The book will wrap up the CIS Pacific project that began with the Issue Analysis 'Papua New Guinea on the Brink' in March 2003.

For instance, in early September Helen Hughes and Gaurav Sodhi released a cost/benefit analysis of the proposed Pacific guestworker scheme—Should Australia and New Zealand Open Their Doors to Guest Workers from the Pacific?—that remains a point of public debate between CIS and the World Bank, ANU Pacific specialists and other advocates. The paper will form part of the forthcoming Pacific book.

Similarly, late October saw the release of the Issue Analysis *Vision or Fiction? Prospects for Pacific Regional Integration* by CIS intern Stephan Freitag, an economics graduate from Bremen University, Germany. Also in late October, Gaurav Sodhi released the Issue Analysis *From Monarchy to Modernity* based on his research trip to Tonga. In September Susan Windybank submitted a chapter on the South Pacific for a Routledge 'Studies in Strategy' book on trilateralism (Australia, Japan and the United States). And in December Miranda Darling Tobias completed a major report on AIDS in Papua New Guinea. All this feeds into the Pacific book.

Field research also continued. In November Gaurav Sodhi went to Papua New Guinea where he was chased by raskols and shot at in Port Moresby. Susan Windybank returned from a brief trip to East Timor in September with less exciting tales to tell.

CIS has also been active in external forums. Gaurav Sodhi presented the (lone) case against the Pacific guestworker proposal at the ANU's annual Pacific Updates in Brisbane, Sydney and Canberra in early December. Susan Windybank delivered a lecture on China and Taiwan in the Pacific for the Melbourne branch of the Australian Institute of International Affairs in mid-October. November saw Miranda Darling Tobias testify before the Joint Standing Committee on Foreign Affairs and Trade's inquiry into the 'economic, social and strategic trends in Australia's region and the consequences for our defence requirements'. Owen Harries joined guest speaker Mark Steyn in debating confidence in Western culture at the Centre's annual Big Ideas Forum in August.

Looking ahead to 2007, Visiting Fellow John Lee has completed the draft of a major CIS monograph on whether the Chinese model of economic liberalism and political authoritarianism is sustainable. Also in the pipeline are publications on nuclear proliferation and options for Australia in the event of a nuclear break-out in the region as well as transnational crime in the Pacific.

# Social Foundations

This programme covers four inter-related themes: family policy, education, tax and welfare reform and culture and community. These four were chosen because of the crucial role they play in sustaining a free society of responsible and autonomous people.

## Family policy

Our research on the family up until now has mainly focused on issues of divorce, single parenthood, family taxation and child wellbeing. Recently this focus has been broadening to consider some recent and proposed reforms involving family law and 'work-family balance'. These reforms include changes to the rules about child support payments, proposals to make pre-school child care costs tax deductible, and the introduction of a nationwide chain of government-run family counselling and conciliation centres (so-called 'Family Relationship Centres,' or FRCs).

Following up her controversial paper, *Family Relationship Centres: Why We Don't Need Them*, Arti Sharma delivered a paper to the National Forum on Family Relationship Centres held at the Australian Catholic University, Melbourne, in November. Reactions to her paper, both at the conference itself and in a follow-up discussion on *Online Opinion*, confirmed that confusion continues to surround the role of these new centres and underlines our view that they may end up doing more harm than good and that they should certainly have been trialed.

Our evaluation of FRCs will continue next year when we shall also be looking at the federal government's proposals for changing the Child Support legislation, and at the increasingly important issue of institutional childcare—both how it should be funded (an issue addressed in the recent report of the Parliamentary Inquiry on work-family balance, to which CIS contributed evidence), and whether its benefits outweigh its disadvantages.

## Education

School education remains an important policy and research focus for CIS, and one of the sessions at Consilium this year was devoted to this issue. Jennifer Buckingham has made school choice a major focus of her work, and over the last few months her contributions to newspaper opinion pages have kept this issue at the forefront of public debate.

In a new Issue Analysis paper, to be released early in 2007, Buckingham explains how the centralised nature of teacher employment in public schools favoured by teachers unions fails to deliver quality teaching to students who most need it, and does not attract or reward excellent teachers. The paper argues for staffing responsibility to

## The Politics of Furedi



be devolved to schools so they can hire the best teachers available and rid themselves more easily of the worst.

Meanwhile, Andrew Norton has continued providing regular media commentary on higher education issues, and he is currently working on papers on how many graduates Australia needs and how university places should be allocated.

## Tax and welfare reform

Having focused for the last two years mainly on the case for reforming income tax, we have now begun to broaden our thinking on tax to include GST, business taxes and state-level taxes. The eleventh in our series of papers on tax reform, written by newly-appointed CIS Visiting Fellow Robert Carling, was published in September. *State Taxation and Fiscal Federalism* considers how the states might enhance their autonomy from Canberra by increasing the proportion of revenue they collect themselves. Provocatively, Carling argues for a state income tax, with corresponding reductions in Commonwealth income tax, for the abolition of most tied Commonwealth grants, and for all stamp duties to be scrapped.

As for welfare reform, Peter Saunders will publish an Issue Analysis paper in early 2007 repeating his earlier call for the government's Future Fund to be distributed into 20 million personal savings accounts (one for every Australian) which could be used to replace government unemployment and sickness benefits. *A welfare state for those who want one (and opt outs for those who don't)* also proposes that taxpayers be allowed to trade in their welfare state entitlements (including health cover and the age pension) in return for tax cuts which would be used to purchase private alternatives. This idea will be further developed in a new book to be published in the first part of 2007.

## Culture and community

In the Spring issue of *Policy* magazine, Peter Saunders interviewed British sociology professor Frank Furedi about the culture of fear, the decline of the public sphere and the threats to personal autonomy posed by the cult of victimhood. In his Policymakers lecture in November, new Labor leader Kevin Rudd spoke of the relation between free markets and community cohesion, and his comments will be addressed in a forthcoming *Policy* article by Saunders on whether capitalism undermines social solidarity. A joint paper by Saunders and Sharma is also in production which will look at the threat to an autonomous civil society posed by the growing dependency of voluntary sector organisations on government contracts.



# Liberty & Society



*“An excellent opportunity to meet top flight thinkers, top shelf students and have a top time doing it.”*

*“It is what university promises but never delivers. Intelligent and enthusiastic lecturers and students all of whom have an open mind.”*

*“A challenging and fun weekend which makes you think, allows you to meet a fascinating bunch of people and opens your eyes to new ideas and opportunities.”*

As the CIS turns 30, the *Liberty and Society* student conference programme celebrates its 10<sup>th</sup> birthday. The conferences are now recognised by young people as a very worthwhile and productive way to spend a weekend. Over those years we have built a solid network of young people who are aware of the CIS and sympathetic to its ideals. Many have chosen to maintain their contact and have supported a number of aspects of the Centre’s work.

Successful conferences were held in April and September this year. At the conference in September Peter Hartcher, Political and International Editor, *SMH* opened the conference with a sobering message about the role of Iran in the Middle East. Apart from studying the fundamental principles underlying classical liberal thought, the lecturers confronted the students with a variety of issues to help them crystallise their thinking. Dr Jeremy Shearmur looked at private communities (such as Celebration in Florida) and how they may work, Economics Professor, Geoff Brennan took the examples of selling your kidney and overseas adoption. Professor Suri Ratnapala from UQ looked at notions of a third type of law and then the group explored the ramifications of the Qld Vegetation Management Act. The last session was on Indigenous Affairs and we were lucky to have Warren Mundine, President of ALP and CEO of NSW Native Title Services lead the discussion. Warren’s pragmatic and practical approach to the problems facing the indigenous community was an eye-opener for many of the students.

The evaluations from the groups showed a great enthusiasm for the conference, not just for the thought provoking material presented but for the opportunity to meet people with similar thinking.

Another opportunity for young people was ‘The Ross Parish Essay Competition’. The questions this year was ‘Should government intervene in our lives to, prevent or limit individual choices that might make us sick, injure us, or even kill us?’ The winners were Jess Moir VIC, 1st Prize—\$1500, John Humphreys ACT, 2nd Prize—\$1000 Kardina Koszelski WA, 3rd Prize—\$500. The first and second placed essays will be included in Summer *Policy*.

# Issue Analysis

29 November 2006

## Indigenous governance at the crossroads: The way forward (No 78)

John Cleary

Current governance structures in remote Aboriginal communities are in urgent need of reform. In this paper, John Cleary argues that the Northern Territory Government's plan for Regional Shires is a step in the right direction, but we must be very clear about what is not working and how the new Shires will work. He supports the establishment of a simplified, amalgamated system of local governance and a clarification of the responsibilities of existing organisations.

7 November 2006

## Time for a change in Tonga: From monarchy to modernity (No 77)

Gaurav Sodhi

Despite years of generous aid and high education and health expenditure, Tonga has failed to grow substantially in the last thirty years. According to a new report, the royal family and the 'nobility' must accept responsibility for this. In *Time for a change in Tonga: From monarchy to modernity*, Gaurav Sodhi argues that growth generating reforms in Tonga have now become an economic necessity and a political possibility.

25 October 2006

## Vision or fiction? Prospects of regional integration in the South Pacific (No 76)

Stephan Freitag

Are proposals for economic integration in the South Pacific a vision of the future or a fiction? In this report Stephan Freitag discusses approaches to economic integration against the reality in trade and presents examples of sectoral integration and regional organisation to evaluate proposals for economic integration in the South Pacific.

18 October 2006

## Why tax cuts are good for growth (No 75)

Phil Rennie

The New Zealand government's budget surplus of \$11.5 billion represents a massive level of over-taxation. Delivering tax cuts could give the economy a significant boost, argues Phil Rennie in this paper. Lower taxes can

stimulate investment and risk-taking, and encourage more people to enter the workforce. They can also help New Zealand compete in the global market for capital and labour.

14 September 2006

## How to fix a leaky tax system (No 74)

Phil Rennie

The New Zealand tax system has become complicated and unfair, with tax evasion and avoidance widespread. In this paper, Phil Rennie looks at how the integrity of New Zealand's tax system has been corroded by the introduction of a 39% tax rate for income over \$60,000. He argues that taxes should be lowered and flattened with just two income bands. This would make the system fairer, simpler, cheaper, and harder to avoid.

31 August 2006

## Tackling literacy in remote Aboriginal communities (No 73)

Kirsten Storry

In this paper Kirsten Storry examines literacy levels and education programs in remote Aboriginal communities. Literacy rates among children and adults in these communities are appallingly low and cannot be reversed without genuine and innovative education reform. She argues that, particularly in small remote communities, it is time to acknowledge that traditional educational service delivery is not working. It is time to trial innovative solutions, including better reporting on existing literacy programmes, enhanced community sector coordination, and greater private sector involvement.

### ISSUE ANALYSIS



# CIS in the media

2006 was a stellar year for CIS in the media. CIS continued to enjoy wide media coverage in the period June – December due to intriguing guest speakers, important events and greatly acclaimed publications and opinion pieces.

Mark Steyn, one of our most popular and controversial guests, proved a big drawcard to media in his appearance at Consilium and the Big Ideas Forum, appearing on television programmes including Lateline, four radio interviews and countless mentions in print media. Unrest and corruption in the Pacific also generated television coverage.

The Policymakers lecture series continued to be well-received and greatly covered by media such as *The Australian*, and ABC Radio, particularly the lectures by Minister for Foreign Affairs and Trade, the Hon. Alexander Downer MP, Minister for Health and Ageing, the Hon. Tony Abbott MP, and Kevin Rudd (whose lecture was delivered a week before he secured leadership of the Labor Party).

THE AUSTRALIAN FRIDAY SEPTEMBER 15 2006

## 14 OPINION

### Create jobs and local industries

Blame our aid bureaucrats for the debacle in Solomon Islands, argues Helen Hughes

**T**RUBLE in East Timor and Solomon Islands is not coincidental. It has been brewing since the Australian armed forces took the lead in swiftly pacifying these two small states because in neither has there been economic follow-up. The bureaucrats responsible for rebuilding both countries have focused on semblances of representa-

currency board. It would have been cheap to pay out ineffectual public servants and surplus politicians. But Australia even paid the charges on non-performing Asian Development Bank lending that would have been written off if that organisation had, indeed, been a bank. The exploitation of timber appears to be the only industry thriving in the

#### NOTEBOOK

##### Indigenous governance: the way forward

John Cleary, former CEO of the Tiwi Islands Local Government (2002-05); Centre for Independent Studies, November 29.

A strong governance structure that has the respect of residents is essential for any healthy, functional and viable society. When governance structures fail or are corrupt, the whole community

suffers. Second-rate governance has contributed to the dysfunction of 1200 remote communities in which 120,000 Australians are living miserable lives.

Now is the time to give indigenous Australians in remote communities the same democratic governance systems that have allowed the rest of the country to prosper. . . . The practice of paying appearance money for attendance at meetings and functions in Aboriginal

communities must be abolished and replaced by annual allowances. . . .

Failure to attend a percentage of meetings each year should lead to automatic disqualification. Today we are at the crossroads of a continuation of the disgraceful circumstances imposed on remote communities by the patronising policy of isolation imposed on them 30 years ago and the opportunities offered by good governance.

AFR 30/11/06

### Islands must act or face up to disaster

Pacific leaders need to refine their regional strategy, writes Stephen Freitag

**T**he triangular rift that engulfed the Pacific Islands Forum has far greater implications for the Pacific than the headlines suggest. All the build and uplift about the Julius Moran case (Moran is a former senior discussion of one of the forum's core agenda items) the implementation of the Pacific Plan, a 15-year strategy adopted by the forum in 2005 focusing on growth, development, governance and security.

The plan's notion of regional integration, predicated on a flawed "top-down" interventionist approach, is not likely to lead to growth rates as argued and could well increase instability and poverty in the region.

Since the formation of the European Union, regional economic integration has been sought as a path to rapid development by several groups of developing countries.

With the Pacific Plan, the Pacific Islands Forum has now joined Caribbean, Latin American and African countries' groupings in turning to mutual rather than global trade to put behind it these decades of stagnation in the Pacific.

But the European Union was created in unique economic and political circumstances and the experience of developing country regional integration groupings is sobering. Despite enormous administrative efforts, few have managed to put integration plans into practice. Those that did paid dearly in stalled growth and most eventually disintegrated.

A valuable lesson can be learnt by Pacific nations from Mauritius, an island about the size of Fiji that has been growing rapidly for 30 years. By developing labour-intensive exports, Mauritius has had its income per capita increase half to twice that of Fiji, from 1975 to 2005.

The South Pacific's markets are in heaven, the United States and booming Asia, with Australia necessarily a small component – as it comprises only a small proportion of the world market.

The inter-island trade in the South Pacific, on which the Pacific Plan is premised, is negligible and has little potential. That is not because of high barriers to trade but because of the limited and similar range of exports.

The Pacific islands' comparative advantages are in agricultural, mineral and marine products, and tourism. Specialising and finding niches in large industrial and industrialising markets, as Mauritius and other successful developing countries did, is therefore more rational than trading with each other.

Moreover, the South Pacific's market of some 7.5 million people is too small to yield economies of scale for the diversified manufacturers that Pacific islands import.

Australians, Europeans and North American preferential trade schemes, notably in sugar and clothing manufacturing, were meant to give South Pacific nations time to prepare for global competition. They have failed. Protected from the harsh global competition, the



The South Pacific urgently needs to pay attention not to integration, but co-operation.

PHOTO: CHRIS LANE

islands' industries had no incentive to develop their competitiveness. When protection fell in the industrial countries, the Pacific producers could not compete in global markets, with consequent brake on their economic growth. Regional organisations in the South Pacific are spending a significant share of the considerable aid received in the region on duplicative endeavours, notably in the form of meetings, report writing and unrealistic planning of integration. These activities employ

**"The Pacific risks becoming a focus for international crime."**

many expatriates at high salaries, take up the time of scarce South Pacific professionals and deflect attention from unemployment and underemployment and their social consequences that are disrupting Pacific societies.

The South Pacific urgently needs to pay attention not to integration, but co-operation, in transport, air services and shipping and telecommunications linkages.

Tourism could then be significantly expanded. Lagging economic growth can be tackled only by economic reforms in each island to increase agricultural production and create private sector jobs.

Without rising productive employment, rising incomes and greatly improved social conditions, the Pacific is not only in great danger of further instability, but it risks becoming a focus for international crime and drug and arms trafficking.

These critical issues are in danger of being lost in a smokescreen of political attacks and threats and counter-attacks.

Maturity needs to be shown on all sides so that the impending malaise in the Pacific can be properly addressed. A frank and open dialogue about the reality of the Pacific Plan should be first on the agenda.

■ Stephen Freitag is adjunct scholar at the Centre for Independent Studies. He is research assistant at the Institute for Economic Policy at Leipzig University, Germany. This article is based on his report 'Vision or Illusion? Prospects of regional integration in the South Pacific'. CIS



# CIS Staff and Board of Directors

## News

**Executive Director Greg Lindsay** was elected President of the Mont Pelerin Society (MPS) at its General Meeting in Guatemala in November 2006. Founded by Friedrich Hayek in 1947, MPS draws its membership from prominent intellectuals and practitioners from all over the world who share a passion for the cause of liberty. The Society is the global voice of classical liberalism, promoting values of free enterprise, minimal government and an open society of free individuals. In addition to Hayek, previous presidents include Nobel laureates Milton Friedman, James Buchanan and Gary Becker. This major honour reflects the huge contribution that Greg and CIS have made to the defence and promotion of liberal ideas in Australia over the last 30 years. More information about the Mont Pelerin Society can be found at [www.montpelerin.org](http://www.montpelerin.org).

## CIS Appoints New Board Members



**Lucy Turnbull** has worked for many years as a solicitor, principally in Turnbull and Partners Limited. Lucy chairs ASX-listed Melbourne IT Limited and is director of Pengana Holdings Limited, a governor of the Woolcock Institute for Medical Research and a Director of the National Portrait Gallery.

Lucy was Sydney's first female Lord Mayor (2003-4) and Deputy Lord Mayor (1999-2003), during which time she also chaired many council committees, including the Central Sydney Planning Committee, the Planning, Transport and Development Committee and the Finance and Audit Committees. She is currently Deputy Chair of the Committee for Sydney, a board member of the Redfern Waterloo Authority and an Administrator of Tweed Shire Council. In 1999, Lucy published *Sydney—Biography of a City*.



**Nicholas Moore** is an Executive Director of Macquarie Bank and Head of the Investment Banking Group of Macquarie Bank Ltd, which he joined in 1986. Nicholas has played a leading role in the development of the Group's major business lines in infrastructure leasing and financial products. He became Head of the Financial Packaging Group in 1996, the Head of the Asset and Infrastructure group upon its formation in 1998 and the Head of Investment Banking group on its formation in 2001.

Nicholas is a director of Macquarie Airports Management Limited, Macquarie Infrastructure Investment Management Limited, Macquarie Media Group Limited, Macquarie Communications Infrastructure Group and Chairman of the Police & Community Youth Clubs.

### New Staff

**Jane Duckworth** joins CIS as Office Administrator

**Lee Heng** joins CIS as Publications Manager

**Gina Menos** joins CIS as Public Affairs Officer

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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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