

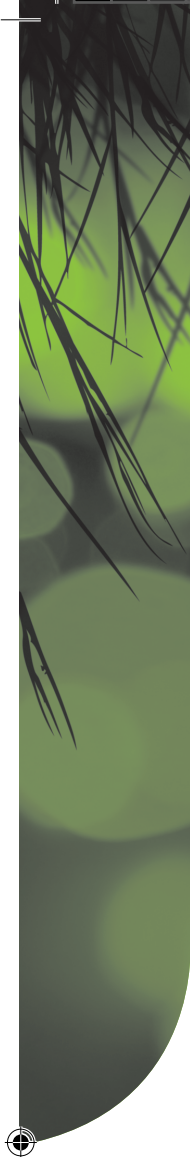


PréCIS

The Centre for Independent Studies
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A N N U A L R E V I E W



LEADERSHIP IN IDEAS



THE CENTRE FOR INDEPENDENT STUDIES

JULY–DECEMBER
2008

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.





FROM THE EXECUTIVE DIRECTOR



The beginning of 2009 marks my thirtieth anniversary as a full-time employee of the Centre for Independent Studies. The Centre had been already around for a few years, but it was impossible to continue it as a spare time institution. So at the end of 1978 I took the risk, left my teaching position, and the rest is history.

As 2009 gets underway, much of what the Centre stands for, and has tried to do for more than three decades, is facing challenges unlike any that we have faced in that time. The global economic crisis has hit the world's economies with a speed and severity in a way few could have predicted. We hear cries that capitalism is finished, the era of globalisation is over, that market 'ideology' has been shown to be faulty, and so on. Nothing is further from the truth—analysts had already been documenting the history of

bad and imprudent regulation plaguing modern economies. Policymakers will need to exercise extreme caution and wisdom as they examine what has occurred when implementing any new regulatory measures.

The responses so far by governments around the world should ring warning bells for those who believe that economic freedom is the principal guarantee of political freedom. Calls for increased regulation, massive fiscal stimulus measures, and seemingly endless bailouts represent the most serious, perhaps the worst, assault on the free economy. This at a time when Australia in particular seems to be navigating the shoals of the crisis better than most, though that of course may change. *The 2009 Index of Economic Freedom*, published by the Heritage Foundation/*Wall Street Journal*, listed Australia at #3 (behind Hong Kong and Singapore) and New Zealand at #5. This is reflective as much as anything of our relatively sound economic and legal institutions. Impressive positioning—and something we should cherish and maintain.

Towards the end of 2008 and into 2009, the Centre has been holding a series of events focussing on aspects of the economic crisis, and we expect these to continue for some time. (Videos of the talks are available on the Centre's website, and most of the papers will also be published.) The build-up in the Centre's economic team turns out to have been very timely, and we are in a much stronger position than at any time in the Centre's history to bring the best ideas available to the current debates.

It has been predicted that the economic downturn will have a serious impact on the non-profit sector and we are expecting that the Centre will not be exempt from this. We have plans in place to manage circumstances as best we can, but there is considerable uncertainty. The battlefield of ideas though must not be vacated by those who see that economic freedom and our liberal institutions are the keys to recovery. The Centre will continue to engage in this battle and do what it does best and has been doing for so long now. That risk I took in starting the Centre all those years ago was worth doing then, and now its need seems greater. We are up to the task.

CONSILIUM

HYATT REGENCY COOLUM 31 JULY TO 2 AUGUST 2008



This year's Consilium was notable for a two reasons: first, with 192 delegates and partners, it was the largest Consilium held to date; and second, it was sadly necessary to veil one participant's involvement in a cloak of secrecy. **Ayaan Hirsi Ali**, a Somali-born women's rights advocate and critic of Islam, was Consilium's keynote speaker. Growing up a devout Muslim in Africa, Hirsi Ali suffered violence and an unwanted arranged marriage before fleeing to the Netherlands to seek asylum. Her exposure to the ideas of the West resulted in a change of heart about Islam; public airing of these views resulted in condemnation as an apostate, and a death sentence. She now lives with round-the-clock security.

Receiving a standing ovation at her opening dinner speech for both her words and her courage, Hirsi Ali spoke passionately about the need to stand strong against the tide of anti-Enlightenment sentiment that is rising in the West in the guise of moral relativism, multiculturalism and political correctness.

The first Consilium session discussed *Where to for Africa?* UCLA economic historian, Professor **Gregory Clark**, joined Senator **David Coltart** from Zimbabwe's opposition party MDC, Ugandan journalist **Andrew Mwenda**, and Kenyan economist **James Shikwati** to paint a picture of a continent blighted by strife, tribal disharmony and imperialistic presidents, yet filled with optimism and hope for the future.

Gregory Clark made a re-appearance in session two: *Emerging Economic Challenges*, where Shadow Treasurer, the Hon. **Malcolm Turnbull** MP, debated policy strategy with Treasurer, the Hon. **Wayne Swan** MP, and Professor **Ian Harper**, Chairman of the Australian Fair Pay Commission, **Peter Hartcher** from the *Sydney Morning Herald*, and **Gary Banks** AO, Chairman of the Productivity Commission, discussed unwinding securitisation, the disconnect between the financial economy and the real economy, the tectonic shifts in global markets, and what impact credit rationing may have.

In the third session, *Intervention, Ideology and Indigenous Well-being: Moving Beyond Old Ideas*, speakers included CIS senior fellow, Professor **Helen Hughes**, **Warren Mundine**, CEO of NTSCORP, **Noel Pearson**, director of the Cape York Institute, and **Wesley Aird**, Business Manager for Eastern Yugambah. They spoke on the current state of apartheid that exists in Australia, the crisis in Indigenous education, the need for equal property rights for Aborigines, and the need to mandate personal responsibility as a way of promoting personal and economic freedoms.



One thing for which Consilium is noted is bringing together a variety of thought leaders; the conference acts as an intellectual introduction agency of sorts. This year **Andrew Forrest**, CEO of Fortescue Metals, met with **Noel Pearson**, **Warren Mundine**, Sir **Rod Eddington** of JP Morgan and Prime Minister **Kevin Rudd** at the event to launch the Australian Employment Covenant. A new initiative aimed at reducing welfare dependence by bridging the training-ready gap to 50,000 Indigenous Australians into employment.

Professor David Bowtell, Director of the Peter MacCallum Cancer Institute, **Professor Enrico Coiera**, Director of Health Informatics at UNSW, and **Mike Svinte**, VP of Global Pharmaceutical and Life Sciences at IBM, offered a look into the not-too-distant future of personalised medicine, where powerful new information technologies will change the way healthcare is provided, and bring challenges to civil liberty.

Asking the question: *If Money Can't Make Us Happy, Can Government?* the fifth session looked into the scientific crusade of happiness. CIS research fellow, **Andrew Norton**, Dr **Andrew Leigh** from ANU, Professor **Steven Schwartz**, Vice-Chancellor of Macquarie University, and Professor **Frank Furedi** from the University of Kent—all agreed that governments cannot legislate for happiness, and nor should they.

The last Consilium session: *The Ideas of the Enlightenment in the Twenty-first Century*, featured Chief Justice **Jim Spigelman**, the Hon. Dr **Craig Emerson** MP, Minister for Small Business Dr **Jonathan Le Cocq**, Head of Music, Film and Theatre Studies at the University of Canterbury, historian Dr **Arthur Herman**, and **Ayaan Hirsi Ali**. Superstition, fanaticism and orthodoxy were discussed, particularly in terms of the climate change debate and Islamic extremism. Exploring the Enlightenment ideals of tolerance, enquiry, progress, and human values was a fitting end to yet another successful Consilium.



2008 EVENTS AT A GLANCE

DATE	EVENT	LOCATION
27 February	Lightbulb Lunch: Dr Razeen Sally	CIS
11 March	Lightbulb Lunch: Maria Ranka	CIS
10 April	Forum: Hayek's Ideas in the 21st Century	CIS
11 – 13 April	Liberty & Society Conference	Sydney
14 April	Lightbulb Lunch: Daniel Pipes	CIS
15 April	Forum: Big Ideas to Supersize New Zealand's Economy	Auckland
5 May	Roundtable: Fixing Federalism	CIS
25 June	CIS Distinguished Fellows Award Dinner	Sydney
26 June	Lightbulb Lunch: The Hon. Tony Abbott MP	CIS
30 June	Roundtable: Directions in Family Policy	CIS
21 July	Acton Lecture: Father Robert Sirico	CBA Auditorium, Sydney
22 July	Lunch with Chinese Dissident Chen Ziming	CIS
31 July – 2 August	Consilium	Hyatt Regency Coolum
1 – 3 August	Liberty & Society Conference	Sydney
4 August	Forum: Dr Arthur Herman on Gandhi & Churchill	Stanton Library, Sydney
4 August	Big Ideas Forum: The Ideas of the Enlightenment	Sydney Opera House
5 August	Forum: Where to for Africa?	CIS
27 August	Lightbulb Lunch: Denis Dutton	CIS
3 – 5 October	Advanced Liberty & Society Conference	Sydney
22 October	CIS Cinema: Flunked	CIS
12 November	CIS Crisis Commentary: The Ban on Short-Selling	CIS
17 November	Roundtable: Indigenous Housing	CIS
26 November	CIS Crisis Commentary: Depositor Protection & Government Bailouts	CIS
8 December	CIS Crisis Commentary: The End of Capitalism?	CIS
15 December	CIS Cinema: Flush It	CIS
16 December	Lightbulb Lunch: The Hon. Craig Emerson MP	CIS

25th Annual John Bonython Lecture – Postponed

Originally scheduled for December, this special anniversary event was sadly postponed due to the illness of speaker PJ O'Rourke. He recently underwent treatment for cancer, and the CIS is very pleased to report that he is doing well and has agreed to re-schedule the lecture for April 2009.

EVENT HIGHLIGHTS

Acton Lecture: Must Religion be a Threat to Liberty?

21 July 2008

**Commonwealth Bank Auditorium, Sydney
Father Robert Sirico, President of the Acton
Institute, USA**

In his Acton Lecture address, Father Sirico suggested that religion is not a threat to liberty, and that Christianity in particular is responsible for many of the freedoms that the West enjoys today.

"Indeed, it was Christianity that lies at the root of the body of ideas we know today as classical liberalism, which can be summed up in four essential claims: all people have rights that cannot be abrogated; society flourishes most when the state does the least; economic advance is desirable and made possible through free enterprise; and that social peace is best maintained when religion and the state are separated," said Robert Sirico.



Big Ideas Forum: The Ideas of the Enlightenment in the 21st Century

4 August 2008

Sydney Opera House

**Ayaan Hirsi Ali, Professor Frank Furedi,
Dr Arthur Herman, Dr Jonathan Le Cocq,
and Chief Justice Jim Spigelman**

The 2008 Big Ideas Forum attracted close to 500 guests eager to hear the values of liberty, freedom and progress discussed from a twenty-first century perspective. Cultural relativism, political correctness and environmental zealotry were given short shrift, with the warning that Western liberty is at risk not only from fanatical extremists, but also most insidiously, from do-gooders wishing to curtail our rights to free speech under the guise of righteous behaviour.



SOCIAL FOUNDATIONS

Aged-care providers have refused to take up more than one-third of the new bed licences issued by the federal government this year because they cannot afford the cost of building and staffing new facilities.

Jeremy Sammut in The Australian Financial Review, 4 October 08

FAMILY POLICY

Jessica Brown was heavily involved in the debate about paid maternity leave, proposing a system of self-funded parental leave and critiquing the Productivity Commission's proposed scheme. Jessica appeared before the Productivity Commission to argue her case, and made two inquiry submissions. She advocated the simplification of family payments, and commented on childcare policy, feminism, family law and welfare in the media.

It is not changes in the average woman's wage, or a drop in the average number of hours spent vacuuming, that empowers women. It is the ability of each woman to make choices about her own life.

Jessica Brown in The Sydney Morning Herald, 21 August 08

HEALTH AND AGEING

In two papers released earlier this year, **Jeremy Sammut** questioned the efficacy of government spending on preventive health. He argued that the federal government's 'Super Clinic' policy was an inappropriate response to the ageing of the population. Jeremy also drew media attention to the flawed evidence cited by the health minister to justify the 'alcopops' tax hike. In his most recent publication, he challenged the wisdom of increasing the value of the old age pension, given the negative impact the growth of the welfare state and the rise of the handout culture has had on thrift, national saving, and self-funded retirement.

Jeremy was a keynote speaker on 'questioning prevention' at the Victorian Healthcare Association Annual Conference in Melbourne. He addressed the Macquarie Health Corporation Staff Workshop on federal government health policy in August and the Second Conference of Australian Parliamentarians.

Jeremy wrote a submission to the House of Representatives Inquiry into Obesity in Australia in June. He is currently completing a policy monograph on the public hospital 'crisis' and the need to expand the role of private hospitals.

your pregnancy DEBATE

Paying for baby

Should we have a government-funded maternity leave scheme? Two experts argue for and against, and a mum gives her point of view

Being pregnant or having a baby opens up a host of hotly debated topics. In each issue of *PdP* we're going to look at the issue that's currently dividing opinion. This month's debate is whether a national paid maternity leave scheme is a good idea. Australia and the US are the only developed nations that don't have a government-funded paid maternity leave scheme. Should taxpayers' money be used to pay women maternity leave, which would reduce financial stress on families, provide mothers and babies with more time to bond, and maintain a mum's connection with the workplace? Or is having a baby a personal choice, along with all the financial hardships and work decisions that it creates?

For Dr Pip Williams, researcher with the Centre for Work + Life at the University of South Australia. "A national system of paid maternal and paternal leave would not only benefit individuals and their families. It would have significant economic and social benefits. It will promote the health and wellbeing of mothers and babies by guaranteeing women time to prepare for and recover from birth, establish and maintain breastfeeding and bond with their baby. Paid maternity leave would increase equality among men and women in terms of income, career opportunities and retirement benefits.

But it will also be a boon economically and financially as it would encourage women to remain attached to their workplace which helps Australia's labour force. Companies don't want to lose skilled and experienced workers. The baby bonus is not a substitute for maternity leave.

www.theaustralian.com.au

Clinics must do more than plug gaps

JEREMY SAMMUT
In their report last year (December 24 November) I argued that the Victorian private care of the elderly was a national disgrace. Various studies have found that the most effective care for the elderly is provided in the community, not in hospitals. But the Victorian government's policy of 'plug the gaps' has led to a situation where the private sector is used to fill the gaps in the public system. This is a costly and ineffective way of providing care. The Victorian government should instead focus on improving the public system and providing care in the community. This would be a more cost-effective and humane way of providing care for the elderly.

Super clinics Kevin Rudd and Nicola Roxon, campaigning, announce proposals last August. Due to the fact that the last 20 years, there have been very few new public hospitals built in Victoria. The Victorian government has instead focused on building 'super clinics' which are designed to provide a range of services in one location. This is a costly and ineffective way of providing care. The Victorian government should instead focus on improving the public system and providing care in the community. This would be a more cost-effective and humane way of providing care for the elderly.

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Cradling cost of maternity leave

JESSICA BROWN
It's a battle over paid maternity leave in England and this debate has it all. Super-heroes versus working mums. The question is whether we should have a national paid maternity leave scheme. This would be a more cost-effective and humane way of providing care for the elderly.

School performance reporting is the foundation for effective federalism in education.

*Jennifer Buckingham in the **Canberra Times**, 12 August 08*

EDUCATION

Jennifer Buckingham weighed into debates on child care, women's workforce participation, school choice, and school accountability. Her paper, *Making The Grade*, which advocates school reporting in Australia, was released in November to coincide with a visit to Sydney by New York Schools Chancellor, and school reporting guru, Joel Klein.

Jennifer was an expert contributor at the Future Summit in Sydney in May, where she spoke on teacher quality and performance in education. In August, she prepared a discussion paper on education and federalism for a Concept Economics forum and also attended a meeting on school funding convened by the Boston Consulting Group.

Jennifer Buckingham's current project is a joint publication with **Andrew Norton** on the social effects of increased school choice.

HIGHER EDUCATION

The Bradley report on higher education policy, released in December, recommended that a voucher scheme be implemented and extended over time to include the private higher education sector. However, the Bradley committee did not support deregulating student contributions, and proposed only minor increases to government subsidies. **Andrew Norton** has recently released a paper arguing that without proper price signals, a voucher scheme is unlikely to benefit students.

WELFARE STATE

Peter Saunders' report *What are Low Ability Workers to Do Part 2* sets out a range of policy responses to assist the long-term unemployed back into work. Peter also criticised the Rudd Government's weakening of mutual obligation requirements in *A Whiff of Compassion*. In another book, *Declaring Dependence, Declaring Independence: Three Essays on the Welfare State*, edited by Peter canvassed strategies for opting in and opting out of the welfare state. In *Million Dollar Babies*, **Jessica Brown** criticised tax/welfare churning in proposals for taxpayer-funded paid maternity leave. The impact of the handout culture was also examined in **Jeremy Sammut's** *A Streak of Hypocrisy*.

Unfortunately, for university applicants, Victoria is not the place to be ... If Victoria was more like the rest of Australia, 1,900 more Victorian applicants would be likely to have started university in 2008.

*Andrew Norton in **The Age**, 6 October 08*

Teachers need lesson in job appointments

Schools can now apply the merit system, writes Jennifer Buckingham.

LAST month, all NSW public schools effectively closed for a day because the NSW Teachers Federation called on its members to take part in a 24-hour strike. And last week a round of rolling stoppages began.

Traditionally, parents of children in public schools have been pretty tolerant of such stoppages of teacher action by the union. Most parents think their kids' teachers are good people who cannot mean to do a tough job.

On this occasion, however, parents have a right to be rattled because the union's reaction to change in the staffing of public schools is overblown. From the amount of noise being made by the teachers' federation, you might think that the state education department was threatening to sack all teachers except for those paid at a lower rate of pay.

The real story is that the State Government is trying to drag the teaching profession into the 21st century.

Until early May, teachers were appointed to NSW public schools on a staffing system that rarely involved merit. The system had been in place for 10 years, the education department's staffing list sent them a teacher. The appointment would not be



CHANGE IS NEEDED: The State Government is trying to drag the teaching profession into the 21st century.

appointment of only 7 per cent of classroom teachers. Staff lists were advertised and selected on merit. The clerical staff were from the 'employment list'—teachers who did not fall into the appointment hierarchy.

Even then, schools were given the right to choose from the list. The letter is clear to the truth.

teachers' federation claims that the staffing system is being 'dismantled', while the NSW Director-General of Education and Training, Michael Costa-Francis, who has been up front in the battle, credits the reforms as 'modest'.

Most of the fuss has been about the difficulties hard-to-staff schools potentially face when the service transfer system begins. Country schools are particularly at risk.

ECONOMICS

The CIS expanded its economics program in 2008, with the appointment of two new Research Fellows, Dr Stephen Kirchner and Dr Oliver Hartwich. These appointments proved timely, coinciding with a deepening in the global financial crisis, which saw increased demand for commentary on economics issues. The CIS initiated a series of Crisis Commentaries Roundtables, which will be continued in 2009. Throughout the crisis, the CIS has provided a free market perspective that would otherwise be missing from public debate.

During 2008, the Economics Program published new research focused on fixing federalism, government intervention in housing finance, and the regulation of foreign direct investment. This research brought fresh perspectives to these issues and attracted considerable media attention.

In 2009, research will focus on the role of local government, solutions to Australia's housing affordability problems, competition policy, the relationship between monetary policy and asset prices, reforming fiscal policy rules, as well as addressing transport and infrastructure issues.

In October, the federal government announced a \$10.1 billion fiscal stimulus package. The CIS responded with critical opinion pieces in the *Australian Financial Review* and the *Wall Street Journal*, and commented on the package on national radio and television programs. In a climate of bipartisan support for the spending measures contained package, the CIS was one of the few dissenting voices favouring tax cuts as an alternative approach to fiscal stimulus.

*Despite their flaws,
markets have
consistently turned
out to be the best
way to coordinate
economic activity.
They aren't perfect,
but what is?*

*Oliver Hartwich in
The Australian,
11 December 08*

CIS CRISIS COMMENTARY EVENTS:

The Ban on Short Selling: Help or Hindrance? **12 November**

Amid sharp falls in global stock markets, governments around the world implemented temporary bans on the short-selling of financial stocks. In Australia, the authorities went further, banning the short-selling of all stocks. CIS economist Stephen Kirchner, Robert Bianchi from QUT, and company director John M. Green debated whether the ban was necessary and whether it was effective in stabilising markets.

Depositor Protection and Government Bailouts **26 November**

This forum discussed the extent to which regulation contributed to the financial collapse, and whether government and central bank policy responses to the crisis have been appropriate. UTS' Warren Hogan, UNSW's Peter Swan, and the economics editor of *The Australian*, Michael Stutchbury, spoke on monetary policy, liquidity injections, selective interventions to rescue or nationalise specific institutions, and the Bush administration's \$700 billion bailout package.

The End of Capitalism? Exploring the Global Financial Crisis **8 December**

LSE's Razeen Sally and CIS economist Oliver Hartwich discussed the underlying causes of the crisis and how it evolved from a decline in US house prices to a global financial sector meltdown. How serious will the backlash against capitalism be?

The Australian Financial Review
www.afx.com • Tuesday 10 August 2008

Let's snub bronze in tax quest

Australia should stop merely looking to the OECD for reform ideas, writes Robert Carling.

International competitiveness is front and centre in the federal government's "root and branch" review of the tax system. But despite its motherhood quality, international competitiveness is not the be-all and end-all of tax policy. A more balanced view would recognise that much of the case for root-and-branch tax reform rests elsewhere. Moreover, competitiveness is too often measured by dubious international comparisons, which are too easily manipulated to support a predetermined objective.



The first product of the review, describing the "architecture" of the tax and transfer system, draws heavily on comparisons between Australia and international averages – particularly Organisation for Economic Co-operation and Development averages of tax rates, the composition of tax revenue by type of tax, and the overall tax burden. But by definition, these are a good point to reflectivity – the average of the best and the worst. The world is made up of winners and losers.

smh.com.au Tuesday, October 7, 2008 13

Opinion

Starting to choke on this gravy train full of lumps



GAURAV SODHI

There are lots of people scratching their heads trying to understand how listed companies, owned by savvy shareholders, could allow managers to take their money, use it recklessly, then pay themselves a greater return than shareholders get.

About half our international aid effort goes into "governance" programs to fight leadership. It is this worth opposing only if it happens somewhere else? Every day of every year, taxpayers spend millions of dollars supporting the personal activities of former politicians. It is money that individuals and families have worked hard for, saved and sacrificed for, and we are entitled to ask what value we get in return.

Protectionist ploy a blast from past

Andrew Norton

RIVATE providers of higher education have been assisted by the extension of the FEE-HELP loan scheme that lets their Australian students borrow money on similar terms to HECS students in

Good ideas beat ideological divide

Politics has moved beyond the old divisions of Left and Right, observes Craig Emerson

COMPETITORS of ideas seek a moral high ground that others belong to.

An AussieMac won't help home buyers

proposal to establish a US-style government-sponsored enterprise (GSE) dubbed "AussieMac" after its US counterpart, Freddie Mac. AussieMac would seek to exploit the government's funding advantage in capital markets to support the market for RMBS, with a view to lowering retail mortgage interest rates.

The focus for future reform needs to be on making the pension less rather than more attractive, so as to encourage people to save for their retirement.

Stephen Kirchner in *The Wall Street Journal Asia*, 15 October 08

Legacy of free-market thinker pinpoints government failure

Friedrich von Hayek showed us why top-down planning doesn't work, writes Geoff Hodgkin

It is a truism that the free market is the best way to organise a complex society. But it is also a truism that the free market is not a magic wand. It can only work if the government does its job properly.



Hayek's legacy is not just a warning against government intervention. It is also a warning against the kind of government intervention that is based on top-down planning.

The Wrong Plan for Australia

By Stephen Kirchner

SYDNEY—Australian Prime Minister Kevin Rudd has just unveiled a fiscal stimulus plan worth 10.4 billion Australian dollars (\$7.4 billion). At around 1% of GDP, it's bold. Will it work? Probably not as intended.

The plan consists of a set of handouts for politically appealing groups, such as old-age pensioners and families with children. There's also a big boost to infrastructure spending. It's a dramatic change for a government that at recently as May was

positional to accelerate its infrastructure spending agenda. Even with an accelerated timetable, work on these projects will not commence until well into 2009, with much of the spending not seen until even later, when Australia may already be through the feared economic downturn.

Mr. Rudd's 'stimulus' is anything but.

down payment on long-term pension reform," but it leaves the long-term future of pension reform an open issue. The focus for future reform needs to be on reducing dependence on the government pension.

Similarly, the government will make a one-off A\$1,000 payment for each child in eligible families. While this may have some value as a short-term economic stimulus measure, it does not address some of the long-term issues clouding the family payments system, including the disincentives to labor-force participation.

NSW state services are found wanting not because there is insufficient spending but because the spending lacks bang for the buck.

Robert Carling in *The Australian Financial Review*, 10 November 08

21/01/2009 15:05:16

NEW ZEALAND POLICY UNIT

The paternalistic solution proposed is to give health professionals even more taxpayers' dollars to restate the bleeding obvious and tell obese people that to lose weight they must eat less and exercise more.

Luke Malpass and Jeremy Sammut in The Dominion Post, 18 September 08



WELFARE AND PAID EMPLOYMENT

Luke Malpass has been working on welfare and the importance of paid work to create and sustain individuals and communities. He has built a case for limiting state involvement in people's personal choices as much as possible. Such interferences are costly and largely ineffectual. His January 2009 paper argues that paid work, along with family and communities, are the most important factors in providing real, substantive social inclusion.

In 2009, Luke's work will continue to focus on the quality of government spending. His next paper, co-authored with **Jessica Brown**, will examine claims around inequality and poverty in New Zealand and Australia.

EVENTS

In early 2009, the CIS will be holding an event in Sydney called *Flight of the Kiwi: What would it take to get you home?* This event for NZ expatriates and Australians interested in living in New Zealand, will feature prominent NZ expats speaking on why they no longer choose to make New Zealand their home and what policies could be instituted to make their homeland more attractive.

Despite a decade of Labour rule where government spending increased by around 35%, the new government has not yet committed to any substantial reform that will begin to limit government pervasiveness.

Luke Malpass in the Wall Street Journal Asia, 27 November 08

Remaking New Zealand

By Luke R. Malpass

Once the dust from the financial crisis settles, there is a lot of work to be done in New Zealand. But what the country needs and what is electorally popular are two different things. The newly elected government, led by Prime Minister John Key, has promised change—but will it be a change of direction or just a change of face?

Mr. Key has declared himself to be a pragmatic, rather than ideological, man. Indeed he has used the same strategy as Australia's Kevin Rudd to get himself elected—a game of "me too." Mr. Key's National Party adopted as its campaign platform many of the policies held by Helen Clark's Labour Party government. It seems the only thing New Zealand wanted was a fresh face.

What should we expect from this government? New Zealand has a unicameral parliament led by Mr. Key's National Party. They are supported by three parties: United Future (a one-man pragmatist band), the free-market Association of Consumers and Taxpayers (ACT), party and the recently formed Maori Party. This National-led government has the numbers to govern without the Maori Party. Yet, Mr. Key has brought the Maori on board.

These arrangements give National a comfortable majority in the house, in return for ministerial seats outside of cabinet for their smaller partners. Having support from both ACT and the Maori party allows Mr. Key to carry out his centrist policies as promised. For issues more traditionally left-wing, National can probably rely on Maori

support; for issues more right-wing it can rely on ACT's. It is an ultimately pragmatic arrangement, and one that could work extremely well, but it does reveal a suspicious lack of policy direction.

As part of the arrangement with ACT, Mr. Key has adopted the aspirational policy of raising New Zealanders' incomes to the same level of those in Australia by 2025. This should mean a focus on growth, lower taxes and a significant easing of regulatory burden—which would all be very positive. However, accomplishing this will require a minimum 3% increase in productivity per year—a near impossibility with an increasingly regulated economy, bloated public service and high tax-and-transfer regime. To begin, National should turn its attention to reducing the size of government.

Although the key structural and economic reforms of the 1980s and '90s remain largely intact, the past nine years have seen government spending rise as the state has become increasingly intrusive and nanny-like. A number of social engineering laws have been passed on social issues and healthcare, a new state bank has opened, and air and rail have been re-nationalized. For most of the late 1980s and '90s, New Zealanders reaped the benefits of reform with greater freedom, deregulation and lower taxes. But in the last decade they have become more dependent on the state.

In its last days, the Labour government passed legislation for its Emissions Trading Scheme for carbon credits, attempting to make New Zealand a world leader on the issue of climate change. But New Zealand will do nothing of the sort. Mr. Key has supported this climate change policy direction, including emissions trading, despite the tiny amount of emissions the country produces. As part of the deal with ACT, a review will be put in place to reform the carbon credits system. If Mr. Key is interested in Kyoto compliant reform, the best solution would be to use a tax rather than a trading scheme, giving predictability to business, taxpayers and consumers.

Is the new National Party-led government up to the task?

New Zealand's almost-universal public healthcare system has doubled its spending in the past decade. Yet a New Zealand Business Roundtable report released last month shows a drop in productivity. Waiting lists still remain long and supply of services remains short. This has, in part, been the result of an ideological objection to using private provision in healthcare, even where subcontracting to take advantage of private sector capacity makes sense. National has promised to channel more funding into frontline services, and allow some more private provision. But this is only peripheral reform, at a time when the system requires a fundamental rethink.

The new government campaigned heavily on personal income tax cuts which

it will now deliver, but they are neither particularly substantial nor aspirational. Admittedly the *social insurance* solution

despite the tiny amount of emissions the country produces. As part of the deal with ACT, a review will be put in place to reform the carbon credits system. If Mr. Key is interested in Kyoto compliant reform, the best solution would be to use a tax rather than a trading scheme, giving predictability to business, taxpayers and consumers.

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Welfare nanny is killing us all softly

JEREMY SAMMUT and LUKE MALPASS

BLAMING health outcomes on poverty and social injustice ignores the real causes of ill health associated with welfare dependence.

If you believe the editorial in the most recent edition of the *New Zealand Medical Journal*, a toxic combination of bad social and economic policies is responsible for killing thousands of New Zealanders each year. To cut the premature death toll associated with smoking and obesity-related diseases such as lung cancer and type-2 diabetes, Tony Blakely urges the Government to provide better social protection across the "lifecourse".

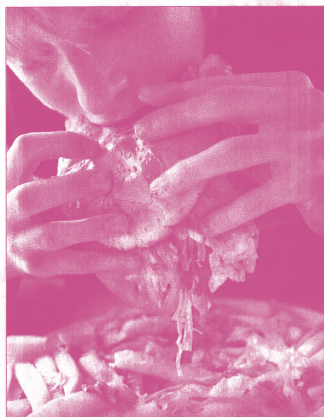
The *Medical Journal* has endorsed a provocative report published last week by the World Health Organisation, *Closing the Gap in a Generation*, which examines the so-called social determinants of ill health in various countries, and principally attributes unequal health outcomes across different socio-economic groups to the unequal distribution of power, money and resources.

Applying this framework to New Zealand and attributing ill health to what is vaguely termed social injustice might induce a warm glow. But blaming relative measures of poverty is a highly political and contestable finding, which ignores reality.

This underplays the increasingly important role that lifestyle choices play in determining individual wellbeing. For more than 20 years, government-sponsored public health campaigns, together with many school-based programmes, have drummed into us the do's and don'ts essential to protect our health. Today, no New Zealander can reasonably claim to be ignorant of the health risks associated with smoking tobacco, with excessive alcohol consumption, and with eating too much fatty and sugary food.

The problem is that some people—mostly in the middle classes—have heeded this advice and started jogging their way to wellness, and some—concentrated in lower-income groups—have not. In the final analysis, governments, no matter how well-intentioned, have limited control over personal behaviours that ultimately depend upon people deciding to modify unhealthy habits.

True to lives, however, members of the



redefine the health system to help people make healthy decisions. The paternalistic solution proposed is to give health professionals even more taxpayers dollars to restate the bleeding obvious and tell obese people that to lose weight they must eat less and exercise more.

Welcome to Nanny State NZ. Version 2008: welfare from the cradle to the (hopefully) not so early grave. What is overlooked is that the free flow of welfare payments is responsible for killing thousands of Kiwis softly every year.

Worse health outcomes and unhealthy

bornly higher than average. And there is an equally strong association between employment, healthier lifestyles and better health all around the world.

What we intuitively know to be true is correct. Welfare makes people sick, and work and all its beneficial personal and social consequences helps them stay well.

Rather than portray ill-health as a social and health policy problem that only the Government can solve, the *Medical Journal* would have been better advised to concentrate on the behavioural causes of death and disease. It is time we reex-



PUBLICATIONS LIST

- JANUARY **Five out of Ten: A Performance Report on RAMSI** Gaurav Sodhi
-
- FEBRUARY **In Praise of Elitism** Peter Saunders, Charles Murray, Denis Dutton, and Claire Fox
What Are Low Ability Workers To Do When Unskilled Jobs Disappear? Part 2 Peter Saunders
Do Secular Societies Provoke Religious Extremism? Tom Frame
-
- MARCH **State Tax Reform: Progress and Prospects** Robert Carling
-
- APRIL **Anglo Primacy at the End of History: The Deep Roots of Power** Lawrence Mead
Indigenous Education in the Northern Territory Helen Hughes
-
- MAY **The False Promise of GP Super Clinics, Part 1: Preventive Care** Jeremy Sammut
KiwiSaver or KiwiSucker? A Critical View Phil Rennie
Putting Democracy in China on Hold John Lee
-
- JUNE **Adam Smith: A Primer** Eamonn Butler
The False Promise of GP Super Clinics, Part 2: Coordinated Care Jeremy Sammut
A Whiff of Compassion? The Attack on Mutual Obligation Peter Saunders
-
- JULY **Declaring Dependence, Declaring Independence: Three Essays on the Future of the Welfare State** Peter Saunders, John Humphreys, Eugene Dubossarsky, and Stephen Samild
Child Care and the Labour Supply Jennifer Buckingham
CDEP: Help or Hindrance? Sara Hudson
-
- AUGUST **The Faulty Arguments Behind Australia's Corporate Tax** Sinclair Davidson
The Bipolar Pacific Helen Hughes and Gaurav Sodhi
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- SEPTEMBER **Government Intervention in Mortgage Finance: The Case Against 'AussieMac'** Stephen Kirchner
Baby Steps Toward Self-funded Maternity Leave Jessica Brown
Must Religion be a Threat to Liberty? Robert Sirico
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- NOVEMBER **China's Insecurity and Search for Power** John Lee
Million Dollar Babies: Paid Parental Leave and Family Policy Reform Jessica Brown
Making the Grade: School Report Cards and League Tables Jennifer Buckingham
Capital Xenophobia II Stephen Kirchner
Where to for Australian Federalism? ed Robert Carling
-
- DECEMBER **Harmacy: The Political Economy of Community Pharmacy in Australia** David Gadiel
A Streak of Hypocrisy: Reactions to the Global Financial Crisis and Generational Debt Jeremy Sammut

PUBLICATIONS

Policy Monographs



CDEP Help or Hindrance

Sara Hudson

The Community Development Employment Projects program was established to help Indigenous Australians move from welfare into work. Despite its good intentions, thirty years of CDEP has prevented Indigenous people from getting mainstream jobs.

The Faulty Arguments Behind Australia's Corporate Tax

Sinclair Davidson

While public debate has concentrated on personal income tax, there has been little demand for corporate tax reform. This paper investigates Australian corporate tax and highlights a number of issues that deserve greater public awareness.

Capital Xenophobia II

Stephen Kirchner

Australia has an overly restrictive Foreign Direct Investment regime. The government's mistrust of FDI, or 'capital xenophobia,' lowers Australia's chances of attracting the productive capital that can contribute to rising living standards.

Harmacy: The Political Economy of Community Pharmacy in Australia

David Gadiel

The pharmacy sector is one of Australia's most protected industries. Unnecessary regulation has inhibited competition and increased the costs that Australian consumers pay for many non-prescription pharmaceuticals sold only by pharmacies.

A Streak of Hypocrisy: Reactions to the Global Financial Crisis and Generational Debt

Jeremy Sammut

Household savings in Australia have collapsed due to an unnecessary dependence on welfare handouts. This means the next generation of young people will have to pick up the bill for the baby boomers' taxpayer funded healthcare and aged pensions.

ISSUE ANALYSIS



Child Care and the Labour Supply

Jennifer Buckingham

This paper seeks to verify the claims about the effects of child care on female labour supply and whether government funding is contributing to child care affordability or making it more expensive.

The Bipolar Pacific

Helen Hughes and Gaurav Sodhi

Australians have become accustomed to bad news from the Pacific islands, but there appear to be two Pacifics. One group of islands has managed to grow, while a second group of islands has stagnated at best.

Government Intervention in Mortgage Finance: The Case Against 'AussieMac'

Stephen Kirchner

This paper argues that government intervention in the market for mortgage-backed securities is an inefficient way of promoting housing affordability, and that the 'AussieMac' proposal is unlikely to deliver benefits for Australian home buyers.

Baby Steps Toward Self-funded Maternity Leave

Jessica Brown

This paper examines some of the complexities involved in implementing a taxpayer- or employer-funded paid maternity leave scheme, and challenges some of the assumptions made by those for whom paid maternity leave has become a symbolic issue.

China's Insecurity and Search for Power

John Lee

China feels strategically vulnerable and is working to strengthen its power and influence. This insecurity has led Chinese policymakers to develop strategies designed to build greater productive capacity in order to further its mission: to return China to greatness.

The CIS has published around 421,000 words this year, not including opinion pieces in the media. For comparison, this is roughly 75% of the volume of *War and Peace* in English translation.

PUBLICATIONS

ISSUE ANALYSIS



Million Dollar Babies: Paid Parental Leave and Family Policy Reform

Jessica Brown

Support for paid parental leave has been so vocal that rather than being a means to an end, paid parental leave has become the end itself. Evidence-based policy has been sidelined with the Productivity Commission setting the task of designing a set of objectives that justify the desired policy.

Making the Grade: School Report Cards and League Tables

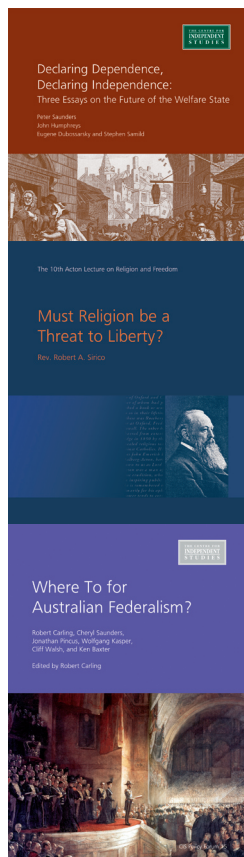
Jennifer Buckingham

International research shows that students in schools that publish their results publicly perform better than students in schools that do not. It is time for Australian schools to be accountable too.

In the last year, across four editions, *Policy* has published 66 articles and reviews. Thirteen new contributors were among the authors and overall, circulation is stable at around 2,000 copies per issue.



OCCASIONAL PAPERS



Declaring Dependence, Declaring Independence: Three Essays on the Future of the Welfare State

Peter Saunders (ed), John Humphreys, Eugene Dubossarsky, and Stephen Samild

This essay collection proposes two solutions to the nanny state - let people declaring dependence on the state for greater welfare entitlements in exchange for forgoing the right to vote. And declaring independence, by relinquishing government services in exchange for lower taxes and greater personal freedom.

Must Religion be a Threat to Liberty?

The 10th Acton Lecture on Religion and Freedom delivered by Father **Robert Sirico**, president of the Acton Institute, USA.

Where to for Australian Federalism?

Robert Carling (ed), Ken Baxter, Wolfgang Kasper, Jonathan Pincus, Cheryl Saunders, and Cliff Walsh

This collection by some of the Australia's most experts on federalism presents diverse views on the balance of cooperation and competition between the states, on the development of intergovernmental agreements, as well as the fiscal aspects of Australian federalism.

MEDIA

206 CIS opinion pieces have been published in Australian and international newspapers in the past twelve months. Many of these have since been republished online too.

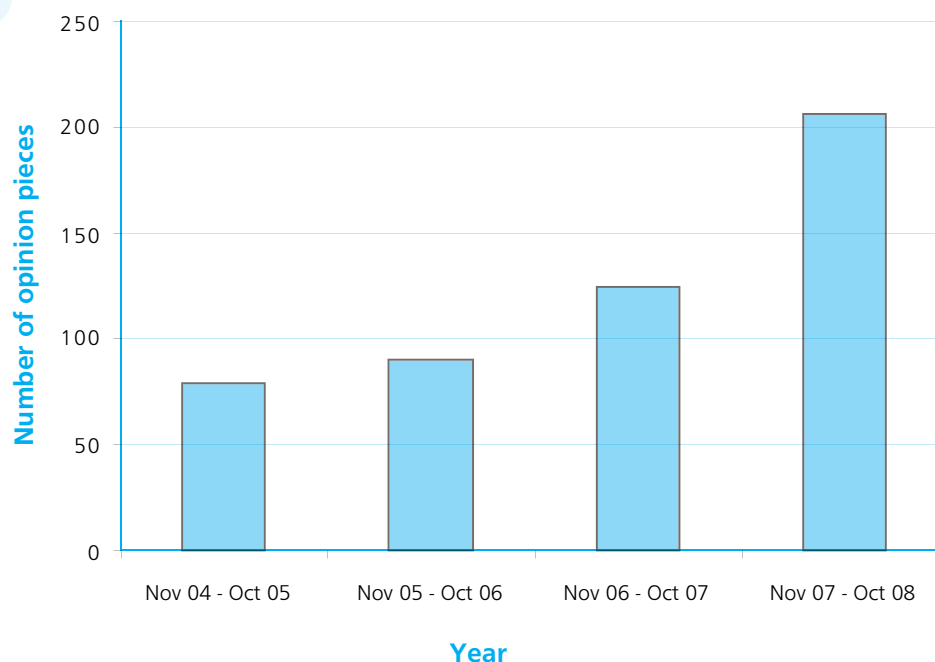


Coverage by Research Subject



In 2008, the CIS received more media attention and coverage in every form of media than ever before.

Comparative Opinion Pieces



345 mentions of CIS research appeared in print media news articles in 2008, plus **465** online mentions, quotations and links to our work.





LIBERTY & SOCIETY

Over 12 years, Liberty and Society (L&S) has given 655 young people an insight into classical liberal thinking and how it can be applied to contemporary policy and cultural issues. The majority of L&S attendees continue to maintain contact with the CIS and each other. Many commented that the L&S has given them a unique, new way of looking at issues they are learning about at university.



In 2008, CIS held three L&S conferences—introductory courses in April and August, as well as an advanced conference in October. Speakers and lecturers included Dr **John Hirst** from La Trobe University, Professor **Ian Harper** from Access Economics, Dr **Darryn Jensen** from University of Queensland, and Dr **Jeremy Shearmur** and Professor **Geoff Brennan** from ANU.

CIS researchers Dr **Jeremy Sammut**, Dr **John Lee**, **Jessica Brown**, **Jennifer Buckingham**, and **Andrew Norton**—all spoke at the L&S this year, as well as the Hon. **Ruth Richardson**, a director of CIS.

The CIS is delighted to see L&S alumni progressing into important careers where their philosophical position can make a difference. L&S alumni have become academics at ANU, La Trobe, University of Queensland, University of Adelaide, and Southern Cross University. Alumni are leaders in business and finance at PriceWaterhouse Coopers, UBS, and the Reserve Bank of Australia. Many are political advisors and politicians themselves in state and federal parliaments, as well senior policymakers in various government departments. Others have gone on to practice law, establish themselves as local and international journalists, and even as researchers at think tanks.



FUNDRAISING

'Better a society where our descendants are free to be the best they can be than an inheritance of assets in an un-free one.'

Neville Kennard

CIS' BEQUEST PROGRAM

CIS has broadened its fundraising activities with the aim of building solid foundations for the Centre's future growth. This has included the building of a Bequest Program, which was launched in October, seeking the support of members, friends and like-minded individuals who believe in the importance of an independent voice, limited government rule, and in creating a strong civil society.

Friends who pledge their support to CIS by way of a bequest are making an investment in the future, in securing freedom, defending core values, and in creating a society we all want for our children and grandchildren. The message is this: a bequest is an inheritance of freedom, a legacy and a gift for future generations to enjoy. A bequest can be contributed to the CIS for general activities or for a specific purpose, by way of cash, property or shares.

CAPITAL GAINS

The CIS Capital Campaign has received strong support in 2008, and is close to reaching its initial target of \$5 million. The Campaign, established in 2006 to mark the thirtieth anniversary of CIS, will ensure the Centre's long-term viability. However, the future, as we all know, is not always certain. The CIS will therefore continue to build on the strengths of our staff, assets and resources by seeking the ongoing support of the corporate sector, foundations, and individuals who are the lifeline of our business.

The CIS raises all of its funds from membership subscriptions and donations, and will continue to ask for support, especially during these difficult times, to ensure that programs are maintained and expanded and that policy is probed for positive solutions that benefit our society.

If you are interested in helping the CIS, please make a donation to our Capital Campaign or contact us regarding a Bequest. To do so, email or phone the CIS Development Office at development@cis.org.au or on (02) 9438 4377.



With thanks to all our donor and supporters for 2008, including:

Supporting the CIS Health and Ageing Policy Research Program
Macquarie Group Foundation

Supporting the Liberty and Society Student Conference Program
Mannkal Economic Education Foundation

ACCOUNTS

INCOME AND EXPENDITURE SUMMARY

INCOME	To June 2008 Audited \$	To June 2007 Audited \$
Donations	1,985,058	1,431,372
Book sales and Subscriptions	145,911	140,030
Events/Seminar Income	573,301	693,167
Interest and Sundry Income	57,046	58,968
TOTAL INCOME	2,761,316	2,323,537
EXPENSES		
Research, Functions, Publishing	494,618	577,095
Fundraising and Development	70,184	59,434
Salaries Including Research	1,730,379	1,286,809
Administration and Rent	337,740	310,907
TOTAL EXPENSES	2,632,921	2,234,245
SURPLUS	128,395	89,292

CAPITAL FUND

INCOME	To June 2008 Audited \$	To June 2007 Audited \$
CAPITAL FUND		
TOTAL INCOME	1,194,529	1,738,732

NEW CIS STAFF



Holly Hamilton is Personal Assistant to Greg Lindsay and the Centre's Events Assistant. She has a Bachelor of Arts (Hons) in History & Politics from the University of Warwick, England. Holly worked in the English Department at Warwick University before coming to Australia just over a year ago. Prior to joining the CIS, Holly worked for Jones Lang LaSalle.

Dr Oliver Hartwich is a Research Fellow with the Economics Program at the CIS. Previously, he was the Chief Economist at the British think tank Policy Exchange, where he specialised in housing and planning policy research, urban regeneration, and transport policy. Before that he worked as an adviser to Lord Oakeshott of Seagrove Bay in the UK House of Lords. He studied Business Administration and Economics at Bochum University in Germany, and went on to complete a Master's Degree and a PhD in Law at the universities of Bochum and Sydney.



Dr Stephen Kirchner is a Research Fellow with the Economics Program at the CIS. Prior to joining CIS, he was an economist with Action Economics, LLC and Director of Economic Research with Standard & Poor's Institutional Market Services, based in Sydney and Singapore. He has also worked as an adviser to members of the Australian House of Representatives and Senate. He has lectured in economics at the University of New South Wales, Macquarie University, and the University of Technology, Sydney. He has a BA (Hons) from ANU, a Master of Economics (Hons) from Macquarie University, and a PhD in economics from the University of New South Wales. Stephen blogs at www.institutional-economics.com.

Luke Malpass is a policy analyst with CIS' New Zealand Policy Unit. Previously Luke worked as a teaching assistant at the University of Canterbury, where he completed a Master of Arts in political philosophy. He holds a Bachelor of Arts with first class honours from the University of Otago.



Mangai Pitchai has joined CIS as Editor. She has an MPhil and an Associate's degree in Journalism. She has a range of experience starting with high school teaching, then various editing positions in newspapers in the USA and India. Since moving to Australia she has worked for LexisNexis, McGraw-Hill, and has helped edit various websites.



Sally Woodward is the Design & Production Manager at CIS. She has a Bachelor of Design (Honours) in Visual Communication from the University of Technology, Sydney. Sally has several years of experience in design, publishing and studio management. Prior to joining the CIS, she was Studio Manager of Corporate Marketing for ACP Magazines, as well as freelancing for a variety of clients.

John Humphreys is a Research Fellow with the Economics Programme at the CIS. He previously worked as a policy analyst for the Commonwealth Treasury and as a consultant for the Centre for International Economics. He is also the Director of the Human Capital Project, a non-profit that provides financing to Cambodian university students. John has an Economics (Hons) degree from the University of Queensland.





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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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