



Jamie Peck, University of British Columbia\*

## Milton's Paradise: Situating Hong Kong in Neoliberal Lore

*Abstract:* The paper presents a critical examination of dominant representations of Hong Kong in free-market and neoliberal thought, focusing on the popular economics of Milton Friedman and the Manichean worldview of the Mont Pèlerin Society. Friedman and his fellow Mont Pèlerinians sanctified Hong Kong as an original and immaculate site of laissez-faire governance, projecting a stylized, selective, and minimally documented vision of a free-market paradise through the popular media, through policy advice, and through universalizing metrics. Persistently recycled as an ideologically affirmative myth, this neoliberal tale equated Hong Kong with a textbook model of free-market development and lean-state capitalism. Hong Kong duly became a “truth spot” (or “faith spot”) for the project of market fundamentalism. As Friedman once reflected of this, his favorite economy, “Hong Kong has been very useful to me.”

*Keywords:* Hong Kong, neoliberalism, laissez-faire, Milton Friedman, Mont Pèlerin Society

### I. Introduction: Hong Kong Dreaming

Milton Friedman rarely encountered a real-world economy that he could actually like, let alone one capable of inspiring the flights of free-market fancy to which he was inclined. But in Hong Kong he found just such a place. It would become, as the *Economist* (2006, 108) observed in its obituary of the Nobel Laureate, Friedman's “favorite economy.” Milton Friedman's idealized and selective reading of Hong Kong as the very epitome of small-state, free-market governance is perhaps one of the most strident and singular, but it is also of a piece with an array of received understandings of the city-state in popular, academic, and policymaking discourses, where it is often ascribed model-like properties or elided with neoclassical textbook conditions (Woronoff 1980; Sung 1989; World Bank 1993; Romer 2010; Li 2012). Similar themes are commonplace in official, authorized, and governmental (self) representations as well (Haddon-Cave 1980; Tsang 2006; HKSAR 2017). The now-routine rating of Hong Kong as one of the “freest” economies in the world has long been a matter of public celebration for local authorities, both before and after the return of the former colony to Chinese sovereignty, just as the unique circumstances of this global city-cum-special administrative region have played an outsized role in determining the benchmarks against which so-called “economic freedom” is measured and promoted. In the most ideologically rarified circles, those in which Milton Friedman enjoys a uniquely elevated status, Hong Kong is imagined as a kind of utopia on earth, and a veritable “truth

---

\* I thank Eric George and the referees of *JLPE* for their probing reviews and constructive suggestions. I am grateful to the staff of the Hoover Institution archives for their expert assistance, and to George Lin, Quinn Slobodian, and Jun Zhang for their advice and guidance. Responsibility for these arguments is mine, however. The support of SSHRC grant 430-2018-00468, “Hong Kong at the edge,” is acknowledged. Please direct correspondence to jamie.peck@ubc.ca.

spot” for the advocates of neoliberal reforms. Here, one-sided abstractions of “Hong Kong” have been mobilized in the form, *and for the purpose*, of a prescriptive model.

Setting out to “follow” Milton Friedman, the present paper explores these purposeful (re)constructions of the Hong Kong model in neoliberal thought and lore. Critical histories and genealogies of neoliberalism have been proliferating in recent years, but Hong Kong has yet to receive the attention that it deserves, especially in light of its privileged position within the free-market worldview.<sup>1</sup> Tracing representations and images of Hong Kong through the primary circuits of free-market and neoliberal thought, the paper proceeds in three parts. It begins, at “freedom’s frontier,” with Friedman’s earliest encounters with Hong Kong. This section describes a fateful meeting between the economist and John Cowperthwaite, the colony’s Financial Secretary during the boom years of the 1960s and a formidable defender of the policy of *laissez-faire*, moving on to assess the portrayal of Hong Kong in Friedman’s landmark television series, *Free to Choose*. Having selected Hong Kong’s Victoria Harbour as the backdrop for one of the opening scenes of the first episode, he would declare to the camera: “if you want to see how the free market really works, *this* is the place to come.” In the next section of the paper, “Liberty’s Loyalists,” attention is turned to the positioning of Hong Kong within the Manichean worldview of Friedman and his fellow travelers in the Mont Pèlerin Society (MPS), the now storied organization, founded by F. A. Hayek after the Second World War, that has been placed at the center of the “neoliberal thought collective” (Mirowski and Plehwe 2009; Peck 2010; Slobodian 2018). The MPS convened its General Meeting in Hong Kong in 1978, on the eve of the conjunctural realignment that followed the elections of Margaret Thatcher and Ronald Reagan, although those gathered hardly had any sense that this sea-change was coming. The meeting was reportedly “suffused with doom and gloom,” leavened only by the marking of Hayek’s upcoming 80th birthday (Rothbard 1978, 50; Machan 1978). “We don’t like what is going on in the world,” Friedman’s wife, fellow economist, and writing partner Rose wrote at the time (quoted in Bernstein 1980, 110; Friedman and Friedman 1998 [1977], 487), even though the couple were happy to find themselves once again in this city that they had grown to love, catching up with old friends while filming location shots for *Free to Choose*.

The third section of the paper, “Positively Free,” follows the travels of Friedman, as a roving proselytizer for free-market reforms, in the extended final act of his long career. The inspiration for a model of neoliberal governance *avant la lettre*, Hong Kong would illuminate the righteous path of reform for free-market thinkers. It remained Friedman’s “best example” of a small-state, free-enterprise economy (Friedman 1997b, 36; Friedman and Friedman 1980, 34). The economist dedicated his career to resisting the tides of Keynesian interventionism, his lifelong quest being to recover (or perhaps *rediscover*) the spirit of “one hundred percent pure capitalism” (Friedman, quoted in Holden 1980, 35). That is what he saw, or thought he saw, in Hong Kong, which he and his fellow Mont Pèlerinians regarded as “the most libertarian major civilized community in the world today” (Machan 1978, 48; Rabushka 1979). Having come of age “during the early stages of the Cold War,” Friedman’s uncompromising worldview was forged in opposition to the “extranational other” that was statism and socialism, whether Keynesian or Communist (Burgin 2012, 154). From this perspective, hyper-capitalist Hong Kong presented as a free-market exception to the pattern of interventionist rule—an island of freedom amid an ocean of interventionism.

---

<sup>1</sup> On the mutating historical geographies of neoliberalism, see Prasad (2006), Mirowski and Plehwe (2009), Peck (2010), Burgin, 2012), Slobodian (2018), Peck and Theodore (2019), and Plehwe, Slobodian, and Mirowski (2020).

The paper concludes with an assessment of Friedman's half-century engagement with Hong Kong. Even though the first impressions of this colonial outpost, in 1955, were of a "miserable place" (Friedman 1997b, 36), Hong Kong would subsequently become an Archimedean point of reference in his definitively neoliberal worldview. In fact, Friedman dedicated the very last thing he wrote to the memory of Sir John Cowperthwaite, who had predeceased him by a few months (Friedman 2006a). The economist never wavered from the view, shared by prominent Mont Pèlerinian friends like Arthur Seldon and Péter Bauer, that the compass of history was trained on this free-enterprise "oasis" on the South China coast (Seldon 1979, 1990; Bauer 2000 [1980]; IEA 2002). A source both of inspiration and validation, Hong Kong would serve as a proxy for, and real-world model of, free-market governance.

## II. At Freedom's Frontier: Hong Kong as Neoliberal Trope

The Friedmans' first visit to Hong Kong was a stopover en route to India in 1955, where Milton would serve as a member of a United States government delegation charged to present an alternative to Nehruvian socialism. The couple had been tickled to discover that room at the best hotel in town, the Peninsula, could be had for US \$9 per night, although at first they were unsure what to make of this "backward colonial outpost" (Friedman and Friedman 1998 [1977], 259). They did not much care for the intellectual atmosphere of India either, oversupplied as it seemed to be with Fabian interventionists and followers of Harold Laski at the London School of Economics (LSE). But thankfully there were enjoyable diversions, including lunch with the US ambassador, John Kenneth Galbraith, and his wife Kitty, old friends of the Friedmans despite their political differences. Galbraith quipped that inviting Friedman to India "to advise on economic planning was like asking the Holy Father to counsel on the operations of a birth control clinic" (Galbraith 1981, 324).

As things would turn out, the more liberal atmosphere of Hong Kong, rough around the edges though it may have been, was more to the Friedmans' tastes. So they were pleased to find a reason to return, making time for shopping and sunbathing, during an extended tour of Asia in 1963, when they once again checked in to the Peninsula. This time, Milton was able to take the opportunity for a look into monetary arrangements in the colony, where after a series of underwhelming visits with local bankers he secured a meeting with John Cowperthwaite, the overseer of the colonial economy. The two men could hardly have been more different—the voluble, diminutive American academic and the shy, stiff officer of the colonial service—but they soon discovered common ground. A fiscal conservative by temperament as well as training, Cowperthwaite's university preparation in classics at St. Andrews had been supplemented by an accelerated degree in economics under the tutelage of James Nisbet, an uncompromising advocate of *laissez-faire* (Nisbet 1929; Monnery 2017). This chance encounter would become a staple of neoliberal folklore. The *Wall Street Journal's* "Main Street" columnist, Bill McGurn, who in addition to stints as a speechwriter for President George W. Bush and Rupert Murdoch was for a time the editor of the *Far Eastern Economic Review*, made a point of revisiting the encounter with both men:

Friedman just was glowing about Cowperthwaite. And Cowperthwaite said that when Friedman came out and saw him in 1963, Friedman was all clutching his hands like this [rubbing them together]. He couldn't believe that there was a guy who was on the same wavelength as he was and there was a place that was kind of putting his principles into practice (McGurn 2012).

Cowperthwaite might well have been sent from central casting, free-market script in hand. An austere Scot and intervention-averse technocrat, who even in the hands of an indulgent biographer comes across as a one-dimensional character, Cowperthwaite would subsequently receive star billing in retrospective accounts of Hong Kong's economic miracle, as the "architect" of the colony's prosperity (Monnery 2017). Undeniably, he was a good fit for the part. Rarely occupying the public stage, except to issue budget statements, Cowperthwaite once proclaimed that, "Over the wide field of our economy, it is still the better course to rely on the nineteenth century's 'hidden hand' than to thrust clumsy bureaucratic fingers into its sensitive mechanism" (quoted in Monnery 2017, 170). In what has since become an apt illustration for the purveyors of neoliberal truths, he flatly refused to publish or even collect macroeconomic data, lest this provide some pretext for political intervention in an ostensibly knowable economy (see, for example, *Asian Wall Street Journal* 1997; O'Rourke 1998; Grant 2014; Devadiga 2019).

Bill McGurn described Cowperthwaite as "Milton Friedman's favorite politician across the world," although elected of course he was not, and to the extent to which the colonial bureaucrat is remembered, it is as a cult hero by free-market libertarians (*Economist* 2017). McGurn keeps a bust of Cowperthwaite on his desk, a gift from media tycoon Jimmy Lai, proprietor of Hong Kong's *Apple Daily* and an outspoken defender of both democracy and market freedom.<sup>2</sup> Friedman held to the view, despite the fact that the characteristically reserved Cowperthwaite preferred to downplay his personal role, that "it would be hard to overestimate the debt Hong Kong owes to Cowperthwaite," adding that the teachable story of Hong Kong, with this single-minded administrator as its central figure, "has been very useful to me" (quoted in McGurn 1994, 29). As Friedman recounts the story, the Financial Secretary had been exercising *principled* policy choices, not just pragmatic ones; as a "real disciple of Adam Smith," Cowperthwaite was the designer as well as the defender of the policy of *laissez-faire* (Friedman 2006a, vi).

Friedman, of course, would yield to very few on this score, being widely seen as his century's leading advocate of the Smithian tradition (Wood and Woods 1990; Ebenstein 2007; Burgin 2012; Ruger 2013). This status was secured in part on the basis of technical achievements in a field, monetarism, largely of his own making; in part as the doyen of the Chicago School and the sprawling network of "freshwater" economists; but in no small measure by virtue of his role as a gifted communicator, policy advocate, and public economist (Nash 2006; Ebenstein 2007). By the late 1960s, Friedman was "probably the most highly regarded and influential conservative scholar" in the United States, and "one of the few with an international reputation" (Nash 2006, 451), his having become "the face of free markets for many people, friends and enemies alike" (Ruger 2013, 172). Well known for his regular column in *Newsweek* magazine, facing off against Keynesian interlocutor Paul Samuelson, Friedman's popular status was cemented by his leading role in *Free to Choose*, the airing of which coincided with Ronald Reagan's ascent to the White House. The 10-part public television series, which was privately bankrolled by conservative donors,<sup>3</sup> had been conceived as a response to *The Age of Uncertainty*, a program commissioned by the BBC to showcase Galbraith's erudite centrism, but which

---

<sup>2</sup> In August 2020, Lai was very publicly arrested under Hong Kong's new security law, while the offices of his media company were also raided, a move that received widespread condemnation (*New York Times* 2020).

<sup>3</sup> The *Free to Choose* project was initiated by Bob Chitester, a small-town TV executive whose only previous achievement of note had been a 95-part series about tropical fish. Having been converted to the free-market cause by Friedman's *Capitalism and Freedom* (1962), Chitester was reputed to be "the only public-TV station manager in the country who didn't believe in government subsidies" (Fund 2007, D10; Bernstein 1980). The conservative-libertarian Sarah Scaife Foundation made the largest contribution to the costs of production (\$500,000), followed by the Getty Oil Company and the Readers Digest Association, which also promoted the series (Ebenstein 2007).

had been something of a flop.<sup>4</sup> Whereas audiences found Galbraith wooden, professorial, and often convoluted, Friedman came across as a natural; engaging, charismatic, and emphatic, his approach was to rely “on a simple exposition of the market metaphor, rendering it tangible through carefully chosen human examples that appeared to validate his ideas” (Burgin 2013, 195; O’Connor 1981). Working without a script, Friedman insisted that he must “speak [his] own words,” as a narrator or straight to camera, focusing on intellectual arguments but “willing to sacrifice numbers for thoughtfulness” (Friedman and Friedman 1998 [1977], 480). As the producer of the series observed, “Milton uses good, clean, two-syllable words and his imagery is perfect” (quoted in Bernstein 1980, 110).

Adopting a folksy, extemporaneous approach, Friedman addressed the audience squarely, never “talking down.” The first episode in the series, “The Power of the Market,” opened with an aerial view of Manhattan with the economist explaining, “Once all of this was a swamp, covered with forest,” a patch of land purchased by the Dutch from the Canacre Indians for US \$24, where a new city would be founded, “on the edge of an empty continent.” Cut to the Statue of Liberty and images of early twentieth century immigration, a time when “life was hard, but opportunity was real,” before Friedman appears, in a scruffy-looking garment factory in New York City’s Chinatown, resembling the one in which his mother had worked, as a newly arrived immigrant.<sup>5</sup> But then came the warning: the United States had been “squandering [the] inheritance” of those immigrant strivers and sweatshop capitalists, Friedman averred, “by allowing government to control more and more of our lives.” In order to “rediscover the old truths” of economic and personal freedom (which “immigrants knew in their bones”), the film switched to Hong Kong, portrayed as a free-enterprise enclave at the edge of a quite different, and far-from-empty, continent. Speaking to camera while riding the Star Ferry, Friedman explains:

That’s why I came here to the South China Sea. It’s a place where there is an almost laboratory experiment in what happens when government is limited to its proper function and leaves people free to pursue their own objectives ... Hong Kong, a place with hardly any natural resources. About the only one you can name is a great harbor, yet the absence of natural resources hasn’t prevented rapid economic development ... The power of the free market has enabled the industrious people of Hong Kong to transform what was once barren rock into one of the most thriving and successful places in Asia (Friedman 1990 [1980]).

Cut to crowded street markets and neon-lit streetscapes. “Hong Kong never stops,” Friedman enthuses; “It’s the ordinary people of Hong Kong who benefit from all this effort and enterprise.” This thriving, bustling, dynamic city has been made possible by the free market, indeed the freest market in the world. By way of a Chinese medicine shop, scene of a “market transaction” unburdened by rules of “official certification,” Friedman is next pictured in an oak-paneled lecture theater at the University of Glasgow, summarizing the “best-known statement of the principles of a free market,

---

<sup>4</sup> The Friedmans had watched Galbraith’s TV series but were unimpressed: Milton had “looked in vain for a central idea,” judging that Galbraith was “sneering at conventional solutions without offering any of his own,” while Rose added that the problem was that their friend Ken “hasn’t got any,” impishly concluding: “No wonder it was called ‘The Age of Uncertainty’” (quoted in Holden 1980, 33).

<sup>5</sup> “This is exactly the same kind of a factory that my mother worked in when she came to this country for the first time at the age of 14 . . . . If there had not been factories like this . . . she wouldn’t have been able to come. And if I existed at all, I’d be a Russian or Hungarian today, instead of an American . . . The irony is that this place violates many of the standards that we now regard as every worker’s right. It is poorly ventilated, it is overcrowded, the workers accept less than the union rate. It breaks every rule in the book. But if it were closed down, who would benefit? Certainly not the people here” (Friedman 1990 [1980]).

the kind of free market that operates in Hong Kong, [which] was written on the other side of the world," Adam Smith's *Wealth of Nations*.

Short cuts such as these, from set-piece scenes of Hong Kong back to originalist tales of the free-market—breezily abstracting from the histories of colonial plunder and erasure that actually “made possible” this Pearl of the Orient—became hallmarks of Friedman’s style as a public educator and policy advocate. The TV critic at the *South China Morning Post* praised *Free to Choose* as an “excellent visual presentation of economic theories,” likening Friedman’s skills as an amiable propagandist to those of conservative commentator William Buckley, his “disarming smiles and cheerily impudent assertions” rendering more palatable this presentation of “charmingly credible statements of simplified economics” (Girling 1981, 9). Others bridled at the economist’s unvarnished nostalgia for the sweatshop economies of the pre-New Deal era, and their elision with a myopic representation of contemporary Hong Kong. The *Post*’s columnist, Wei Peh T’i, “seethed” at Friedman’s syllogistic reasoning and selective illustrations, while acknowledging that the series had become “the number one topic of conversation in our fair city” (Wei 1981, 2). There was very little seething to be heard, on the other hand, from Hong Kong’s business and political elites, who were more than happy to bask in the reflected glory, just as there were segments of the general public too where Friedman was “idolized,” to the extent that in subsequent visits he would be “mobbed like a rock star by admirers and kissed by a television journalist” (Guyot 1998, A19; Crovitz 1996).

The economist’s interest, needless to say, was not in explaining Hong Kong to Hong Kongers, but in explaining Hong Kong to the world—or rather, portraying an imagined and yearned-for world, with Hong Kong as prop. One way or another, *Free to Choose* captured a moment. The book that accompanied the series became a bestseller, with the newly elected Margaret Thatcher being “one of its biggest fans” (Breit and Ransom 1998, 258; Friedman and Friedman 1980). The TV series was re-run in the summer following Reagan’s inauguration, when “rioting in the streets of Britain,” during Thatcher’s first term in office, afforded it “an unfortunate but pronounced urgency” (O’Connor 1981, C11). Through the contested ascendancy of neoliberalism, Hong Kong was repeatedly invoked as a convenient and potent symbol by free-market advocates, even as the details of the handover arrangements between the United Kingdom and China (negotiated from a position of both weakness and ignorance by the Thatcher government) told a different story (see Langer 2008; So 2011; Mark 2017). Notwithstanding the face-saving ambiguity of the “one country, two systems” formula, Friedman and his followers believed that, once the Chinese leadership was prepared to face up to the “shortcomings of central economic planning,” then through demonstration effects the “neighboring market economies of Hong Kong” and the other Asian Tigers would illuminate the path of reform for the Middle Kingdom, via privatization and deregulation to free-market democracy (Chow 2004, 154). Hong Kong possessed the winning formula: the rule of law and the spirit of enterprise.

For his part, Friedman reveled in the cosmopolitan hustle and bustle of Hong Kong. Evidently taken by the quotidian dynamism of this “beehive” of a place, Friedman nevertheless continued to invoke Hong Kong as a kind of abstraction. It served as a real-world ideal type and policymaking truth spot for principles of competitive commerce and individual endeavor that he translated in ahistorical, universal, and indeed elemental terms. Consider the depiction of Hong Kong in a recording made for the *Economics Cassette Series* in 1972, with Rose sitting in as interviewer,

Hong Kong is always a miracle place whenever we visit it. It really is an incredible experience . . . . It exceeds anything I have seen in New York or Chicago or Tokyo . . . . The place is like a beehive. It seems inconceivable that it can keep going. People are rushing here, there, and

everywhere. Everybody busy, everybody active, everybody going his own way. If you wanted a real tribute to what free enterprise and individual initiative and cooperation can do, Hong Kong is surely the place. There is literally nothing here. No beginning. There are hardly any resources worth mentioning here, except a location and a harbor. Hong Kong has in that sense no past. Hong Kong also has no future . . . because sooner or later it will revert to China . . . . And yet you have this tremendous outburst of creative energy, industry, trade—with people striving to come here from China, from Red China, and almost nobody striving to go back from here to Red China . . . . [T]he Red Chinese regard Hong Kong as an earthly paradise.<sup>6</sup>

Friedman regarded Hong Kong as an earthly paradise of sorts, onto which his free-market belief system could be not only projected but reciprocally affirmed. In fact, Hong Kong was the *only* contemporary society that satisfied Friedman's rule-of-thumb definition of "true" liberalism, that government spending should amount to 10-15 percent of national income. He regarded the "optimal size of government" to be around 10 percent of gross domestic product, an ideal achieved in "England at the height of Queen Victoria's reign," with Hong Kong during the "colony's golden age" (its "period of real economic freedom") marking the upper margin (Friedman 2002, xx; Friedman, quoted in Lepage 2003, 30). Such were the contours of a peculiarly neoliberal form of nostalgia, the appeal of which never faded for Friedman. So in 2014, when the *Wall Street Journal* convened a panel of Nobel laureates in economics, asking where in the world governmental leaders were "coming closest to getting economic policy right" (*Wall Street Journal Europe* 2004, R4), Friedman had no hesitation: "Hong Kong, thanks to the legacy of the British administration."

### III. Liberty's Loyalists: Mont Pèlerinians in Hong Kong

When the self-proclaimed protectors of liberty came to Hong Kong in 1978, for the biannual General Meeting of the MPS, they were gathering for the first time outside the society's staging grounds of Europe and North America. Like Friedman, they were enchanted by Hong Kong, a "city . . . constantly alive [with its] noise and traffic and crowds and relatively laissez-faire commercial and private life" (Machan 1978, 48). But the 1978 meeting came towards the end of what had been a troubling decade for this reclusive and countercultural organization—even as it hovered on the brink of a historic ideological breakthrough that few of its members foresaw. European conservatives and Chicago-Schoolers outnumbered the libertarians and zero-staters among the society's aging membership, where the prevailing mood was one of melancholia, according to anarcho-capitalist gadfly Murray Rothbard. This state of "official pessimism" was one that Rothbard put down to a conservative tendency to read history "impressionistically [as a] day-to-day march of events," as if to confirm a long-range draft towards social-statism and serfdom, evidently with the consent of the ill-informed (but voting) masses; in contrast, libertarians preferred to read their histories dialectically and optimistically, as a "process of action and reaction," but trending in the direction of universal liberty (Rothbard 1978, 50, 54). The Mont Pèlerinians remained certain that their ideas were right, but the conservative majority also believed that the world looked like it would carry on being wrong. Not unrelated to this dissonant condition, there had been years of squabbling over the Society's continuing purpose and direction (Hartwell 1995; Butler 2014). Friedman, in his capacity as president in the early 1970s, had even proposed that it was time to disband. More in righteous hope than in any serious expectation of real-world validation, the decision had been taken to continue. After all, the threats to freedom showed no

---

<sup>6</sup> Distributed by Instructional Dynamics Inc., this biweekly subscription service ran for a decade from 1969 (Friedman and Friedman 1998 [1977], 350). "Hong Kong and Japan Economics" (Friedman papers, box 105.98).

signs of abatement. There was still work to do, keeping the torch alive, and not least by patiently “explaining the crisis of the time” (Butler 2014, 6).

As a practical matter, there was a General Meeting to be organized. George Stigler, the society’s serving president, asked Friedman to write to Sir John Cowperthwaite, suggesting that he might chair the meeting’s opening session, which would feature Hayek, among others, expounding on the theme of “Political Order for a Free Society.” Now in semi-retirement, and dividing his time between a home in Scotland and a sinecure at the Hong Kong investment bank, Jardine Fleming & Co., Cowperthwaite had to be persuaded. In Friedman’s friendly letter to Sir John, which referred to their first meeting in 1963 as one of the “high spots . . . of [that] entire year’s travel around the world,” he explained that it had “seemed to all of us [in the MPS] that in view of your connections to Hong Kong you were far and away the best person to open our initial session.”<sup>7</sup> Cowperthwaite was willing to accept this “gracious invitation,” despite being “not over-fond of occupying platforms and . . . not much good of [sic] it either.”<sup>8</sup>

Although his opinions on the question are not a matter of record, the retiring Cowperthwaite may have harbored some reservations about his successor as Financial Secretary, Sir Philip Haddon-Cave, electing to present a lecture at the meeting. Haddon-Cave was, after all, a serving public servant and this was an ideologically exclusive meeting, albeit a closed, by-invitation event. If Cowperthwaite was characteristically somewhat standoffish, Haddon-Cave was more solicitous of his hosts, offering an officially sanctioned version of the free-market script(ure) with a pragmatic twist:

As Professor Hayek has pointed out, the term *laissez-faire* is “more popular with the enemies than with the defenders of a free (enterprise) system” . . . . [It] is preferable to describe our attitude to the economy as one of positive non-interventionism: this involves taking the view that, in the great majority of circumstances it is futile and damaging to the growth rate of the economy for attempts to be made to plan the allocation of resources available to the private sector and to frustrate the operation of market forces which, in an open economy, are difficult enough to predict, let alone control (Haddon-Cave 1980, xii).

As Haddon-Cave went on to explain, when interviewed around the same time for a documentary entitled *Hong Kong: A Story of Human Freedom and Progress*, produced by Alvin Rabushka, Friedman’s colleague at the Hoover Institution: “Philosophically of course, the Hong Kong government is committed to the idea of the market-disciplined, free-enterprise economy, but in our externally-dependent circumstances there is in fact no substitute for market forces . . . . We depend on a fast growth rate . . . to generate high yields from low tax rates.”<sup>9</sup>

If Haddon-Cave’s were the moderately candid observations of a seasoned bureaucrat, George Stigler’s presidential address to the Hong Kong meeting struck an altogether different tone. Capturing the mood of this late-Keynesian moment, Stigler confronted the rhetorical question, “Why have the socialists been winning?” Beginning with the observation that the unprecedented growth of the state represented “the most conspicuous single change in the organization of social life” in the twentieth

<sup>7</sup> Correspondence, Friedman to Cowperthwaite, April 3, 1978 (Friedman papers, box/folder 141: 1–3; see also Friedman and Friedman 1998 [1977], 318).

<sup>8</sup> Correspondence, Cowperthwaite to Friedman, May 5, 1978 (Friedman papers, box/folder 141: 1–3). Cowperthwaite’s biographer reaches the revealing, but incorrect, conclusion that the former civil servant was “instrumental in organizing” the MPS meeting in Hong Kong (Monnery 2017, 281).

<sup>9</sup> Haddon-Cave, quoted in Rabushka (2000 [1981]). The video was screened at the next MPS meeting.



century, any failure to acknowledge which was tantamount to “deny[ing] the existence of the Pacific Ocean,” Stigler outlined his “rational theory” of governmental growth (Stigler 1979, 61). In a paper later published in a festschrift for Hayek, Stigler explained that the growth of the state was an inevitable outcome of democratization, which had empowered special interests, invited pressures for income redistribution, and facilitated invasive levels of taxation. The doughty defenders of the market were duly presented with a wrenching choice: either join the collectivists, as (surely marginalized, not to say hypocritical) advocates of “market socialism,” or turn against democracy itself, by “restrict[ing] the franchise,” for example to property owners, by mandating tax and spending caps, or by requiring “larger-than-simple majorities to pass economic legislation” (Stigler 1979, 66–67).

In his sardonic commentary on the culture of fatalism at the MPS, Murray Rothbard précised Stigler’s argument this way: “[I]here are only two courses of action left to the free-market advocate: either take one’s place, as cheerfully as one can, on the planning board of the socialist bureaucracy and try to moderate it with bits of the market; or try to restrict the popular suffrage” (Rothbard 1978: 54). Apparently finding neither option palatable, Stigler had speculated that something resembling a neoliberal third way might open up, should it be possible to engineer the “decentralization of political life” in such a way as to establish an ongoing drag on government, for instance through the Tiebout mechanism of businesses and citizens voting with their feet for lower taxes and lighter regulation (Stigler 1979, 67; cf. Peck 2011). Stigler remained rather pessimistic, although the passing remark he made to a constitutional amendment that had passed in California just three months prior to the MPS meeting would prove to be propitious:

How wonderful it would be if the public has decided on a liberal society, how wonderful if on June 6 of 1978 when the famed Proposition 13 carried in California, the reaction became a viable political force in the United States. Yet surely changes in political tastes are more convenient than probable, and I doubt that they will allow us believers in decentralized economic and political life to escape the hard question: *are we a permanent minority* (Stigler 1979, 67, emphasis added)?<sup>10</sup>

Even if the war of ideas had been effectively won against the socialists and statist, Stigler recognized as far more formidable the challenge of securing social transformation, and “chang[ing] political tastes,” as this would involve the conversion of an easily duped (and coddled) public, in addition to reining in the always-conniving political classes, special-interest groups, and professional bureaucrats.<sup>11</sup> At least one of those in attendance at the meeting, conservative sociologist and *National Review* columnist Ernest van den Haag, welcomed Stigler’s more combative approach, at least as an improvement over the Smithian nostalgia that had been the main fare at the St Andrews meeting. More to this correspondent’s taste was the Stigler-Friedman brand of “positive economics,” fortified with strategic political analysis, a “factual approach . . . cultivated in Chicago [but] too often looked down upon from the Austrian Alps,” van den Haag agreeing with the Society’s president that the matter of which “social scheme” would eventually prevail was really more a matter of (domestic) politics than esoteric struggles over ideas: “Thus, the problem ‘is not to explain why the poor tax the

<sup>10</sup> History records Proposition 13 as a catalytic moment in the tax revolts that preceded the neoliberal era (Duggan 2003; Prasad 2006), even if the “free minds” at the Hong Kong MPS meeting were not actually anticipating this (Machan 1978).

<sup>11</sup> This refrain—of winning the battle over ideas, but constantly falling behind in the endless trench warfare over practice—was a dominant theme in Friedman’s paper to the Hong Kong meeting (Friedman 1978). It was a position that Murray Rothbard also mocked (Rothbard 1978, 2002).

rich’—the problem is to explain why they do so more in one country, at one time, than in another” (van den Haag 1979, 231).

In Hong Kong, the rich were hardly being taxed by the poor—but then again, the poor had not been consulted. The non-enfranchised local population of colonial Hong Kong had been denied any meaningful say in either the level of taxation or the determination of spending priorities. Yet none of this prevented Friedman and his MPS colleagues from lauding Hong Kong as the ultimate model of a low-tax, small-state economy (Rabushka 1979; Woronoff 1980; Li 2012; Purves 2015; cf. Slobodian, 2019), articulated as a rule-of-law policy fix grounded in philosophical principle, with Sir John Cowperthwaite serving as an avatar for Adam Smith. In these circles, the colonial government’s fiscal conservatism, its aversion to industrial intervention, and the disdain for social redistribution were wise policy choices; there was no appetite for delving into historical, geopolitical, or conjunctural explanations.<sup>12</sup> In fact, just as the embrace of free trade arguably spoke more to the power of merchant capitalists and the imperative to protect imperial markets than it did some doctrinaire conviction, so too the “good policy of *laissez faire*” was an expedient fig-leaf for the *planned* social underdevelopment of this colonial outpost (Chiu 1994; Ngo 1997).

#### IV. Positively Free: Neoliberalization on Red China’s Doorstep

Friedman and company never displayed much interest in probing the facts of political geography pertaining to this, ostensibly their favorite economy, preferring instead to emphasize the fortuitous combination of rigorous rule by common law, principled and positive non-interventionism, and the spontaneous energies of entrepreneurialism. Here, Hong Kong serves as a convenient vehicle for the kind of “barbershop-level” policy advice (Samuels 2000, 248) that would become the Friedman’s forte in the final phase of his long career, after retiring from the University of Chicago and relocating to the Hoover Institution. He had always liked to think that his day job as an academic economist and his avocation as a policy guru were separate and discrete, although the maintenance of this feat (or pretense) was never easy—especially in the Hoover years. There is a rare glimpse behind the façade in a somewhat testy exchange of letters between Friedman and Cowperthwaite, in the immediate aftermath of the Hong Kong meeting of the MPS. After the meeting, Friedman had taken the opportunity to travel on to “Red China,” as he persisted in calling it, issuing uncut policy advice at every turn. In an interview given to a Chinese newspaper, *Sing Tao Wan Pao*, he alleged that the Hong Kong government was guilty of straying from its own righteous path, risking inflation and even recession by allowing public spending to rise. Having been sent a translation of the article by Haddon-Cave, Cowperthwaite wrote promptly to Friedman, declaring his “bewilderment and dismay” at what appeared to be a criticism of the colonial administration’s policy, which he characterized as a “travesty of the true situation” (indeed of “the facts”), while offering Friedman a potential alibi, that something surely must have been lost in translation, no doubt courtesy of an unsophisticated journalist: “I have little doubt that it is a grossly garbled account of what you actually said,” Cowperthwaite wrote, “doubtless the work of a non-specialist [reporter] unable to distinguish your deliberate exaggeration and oversimplification as propagandist from your more sober thought as scholar.”<sup>13</sup> This *bad* to be a misunderstanding, Cowperthwaite continued, because Friedman, Haddon-Cave, and himself were of the same mind when it came to the “dangers of high public expenditure and high taxation.” Rather

<sup>12</sup> For alternative accounts, which properly emphasize the implications of Hong Kong’s unique position in the cold-war world, its distinctive mode of colonial governance, and the political economy of *entrepôt* capitalism, see, for example, So (1986), Scott (1989), Choi (1997), Ma (2009), Goodstadt (2018), and Mizuoka (2018).

<sup>13</sup> Correspondence, Cowperthwaite to Friedman, September 22, 1978 (Friedman papers, box/folder 141: 1–3).

than stand his ground concerning what had clearly (and predictably) been a jab at Governor MacLehose's administration, the Keynesian leanings of which were reflected in a loosening of the reins on public spending, Friedman chose to obfuscate (while blaming the reporter for a "damaging travesty" which by now had generated secondary coverage in the Hong Kong press), explaining (himself) in the reply to Cowperthwaite:

I know I must also have said, because I have [said so] every time I have spoken to anyone about Hong Kong, that Hong Kong is the closest example there is to a real free enterprise economy and that its success is a tribute to [the] policy [of *laissez-faire*] . . . . I have no doubt I also said that as I understand it the government spending had been growing relative to income, that while it was still low compared to most other countries in the world the tendency to increase was a dangerous trend and would do a great deal of harm if it continued . . . . I am sure that I did recommend that Hong Kong should continue with *the policy that it has followed in the past* of allowing enterprise to be free and of holding down government spending.<sup>14</sup>

While perhaps having touched a nerve with Friedman—who was frequently charged, by friends and critics alike, with the conceit that he wished have it both ways, as a teller of scientific truths and as a free-wheeling polemicist (see Doherty 1995; Samuels 2000)—Cowperthwaite welcomed the clarification, expecting it to help Haddon-Cave in his "lonely battle" to defend the principles of free-enterprise growth against those around him with their "ambitions and powers of spending."<sup>15</sup>

Less clear is whether Friedman ever really learned the lesson. During another visit to Hong Kong and China, a decade later, he was once again the dispenser of black-and-white policy advice, free of both doubt and nuance, singing the praises of economic freedom, in a *purified* Hong Kong style. Hosted by his friend and protégé, Steven Ng-Sheong Cheung,<sup>16</sup> the Hong Kong leg of the visit had been billed as one in which the "Rambo of the economics world" would tackle the (locally sensitive) question, "What is democracy?" (*South China Morning Post* 1988b, 4). Occasioning a certain degree of eye-rolling in some quarters, "Free Markets and Free Men" was the title that Friedman chose for his public lecture in Hong Kong, where "with all the assurance of a seasoned performer of the rites [he] sprinkled the word 'free' over his open-jawed congregation like a high priest dispensing the holy water" (*South China Morning Post* 1988a, 4). The choice of the title was intended to dramatize what Friedman saw as Hong Kong's "paradox."

I chose this topic partly because Hong Kong is such a clear example of free markets making free men. I believe that if you consider the situation you will come to the same conclusion as I have: while there are influences running both ways, free markets come much closer to making free men than free men do to making free markets . . . . *What made Hong Kong free was that free markets were imposed on Hong Kong.* It is fascinating that Hong Kong has not been politically free and yet in every other sense of the term it is certainly one of the freest countries in the world . . . . There are restrictions on assembly and on movement imposed by geography but there are no other restrictions on personal freedom so that Hong Kong has both civil freedom and

<sup>14</sup> Correspondence, Friedman to Cowperthwaite, October 26, 1978 (Friedman papers, box/folder 141: 1–3, emphasis added).

<sup>15</sup> Cowperthwaite said that he would lobby some of the more "responsible" journalists in Hong Kong to "give [Haddon-Cave] a bit of support from time to time against the spenders." Correspondence, Cowperthwaite to Friedman, November 6, 1978 (Friedman papers, box/folder 141: 1–3).

<sup>16</sup> Cheung, then chair of the economics department at the University of Hong Kong, would later become embroiled in legal problems, fleeing to mainland China to avoid extradition to the United States (Wilson 2003).

economic freedom. [Yet it] does not have what is called political freedom, the freedom to vote for self-government, and that raises a problem that I find exceedingly troubling and something of a paradox. (Friedman 1988, emphasis added)

Echoing Stigler's address to the MPS in Hong Kong, concerning the pathological consequences of democratization and the "rational case" for technocratic government, Friedman concluded that while economic freedom is a prerequisite for political freedom, the reverse does not hold. Desirable in principle but problematic in practice, democratic governance too often ended up diluting or obstructing the foundational work of efficient market rule. This illustrates how, ultimately, "Friedman [places] his trust not in people but in rules" (Biebricher 2015, 259; see also Cornelissen 2017). Hence the rationale for "imposing" free markets in the absence of democratic rights and formal political freedoms. In logical sequence, the rule of (common) law is the precondition for economic freedom, which in turn is a precondition for (but no guarantee of) political freedom, Hong Kong being a test case of what can be achieved through the combination of economic, social, and civic freedoms, *short of* political freedom and full voting rights (Friedman 2002).

Friedman saw a further paradox in that "while Britain was imposing free markets and freedom on Hong Kong [after World War II], it was limiting its own freedom at home," courtesy of a succession of Labour governments. In contrast to the majority of British colonies, which on gaining independence during the 1950s and 1960s were alleged to have promptly "destroyed [both] economic and human freedom," Friedman believed that Hong Kong had been spared this fate due to its proximity to Red China. Because "China was next door . . . it was not feasible to set Hong Kong politically free," yet . . .

Suppose Communist China had not been here to determine the course of events, so that Hong Kong was given political liberty instead of being subjected to what I would call an enlightened dictatorship. Would Hong Kong be as free today as it is? I believe the answer is pretty clearly no. I find that extraordinarily troubling . . . [As] an observer of history, I cannot escape the conclusion that . . . while economic freedom is essential and necessary for both civil freedom and political freedom, *political freedom itself may ultimately be dangerous to economic and civil freedom* (Friedman 1988, emphasis added).

Hong Kong's geopolitically exposed position may have created some of the necessary preconditions for the colony's bold experiment in *laissez-faire*, but this was nowhere near sufficient. What it took was a "pure accident," but on this telling a profoundly consequential one, an "accident of the kind of people who were appointed to control Hong Kong's destiny in the immediate postwar period," namely Cowperthwaite's indefatigable style of "benevolent dictatorship" (Friedman 1988).

Hong Kong is duly positioned not so much as part of history, but as an "accidental" exception to the historical drift, elsewhere, toward wrongheaded interventionism and governmental bloat. Its countercultural example was to stand, practically alone, as a radiant symbol of what could be achieved if (only) the coercive and corrupting forces of democratized, expansive government could be kept at bay. But could they? The "one country, two systems" formula, which had been cooked up in the negotiations between the United Kingdom and China as a placeholding compromise, was dismissed in MPS circles as a mystifying slogan, if not a looming disaster. "I don't believe one country two systems can ever work," Friedman declared (quoted in Winn 1988, 22), going on to assert that there were very few in leadership positions in the Communist Party of China who even understood how

the free-enterprise system worked. Hong Kong's eventual fate would be determined, he maintained, by the manner in which the mainland economy was allowed to liberalize. Friedman's hope, however, was that the Chinese leadership would quickly come to realize that not even they could defy gravity. As the Hong Kong press reported:

During his trip to China [Friedman] spoke at length with Communist Party General Secretary Zhao Ziyang. "I told him the same thing I said to the US Government, the British, the Chilean and the Yugoslav," he said. Monetary theory, according to Professor Friedman, is not ideological. "The theory of gravity is the same in communist countries as in other countries. So is the theory of money" (Winn 1988, 22).

In a memorandum written for the General Secretary in advance of their 1988 meeting, Friedman had explained that "the extensive use of free private markets" had enabled Hong Kong to achieve in three decades what had taken the United States 200 years to accomplish, the colony having "benefit[ed] from the Western experience," borrowing the common-law tradition along with technologies and skills, and thereby "shorten[ing] the development process" (Friedman 1990, 125). Simple: laissez-faire policies, scrupulously observed, had liberated the innate forces of market convergence, on an accelerated timetable, and there were neither realistic alternatives, nor anything to be gained from half measures. Friedman counseled that the General Secretary take inspiration from his sometime MPS colleague, the late Ludwig Erhard, who as the architect of the Deutsche Mark in the ruins of postwar Germany had abolished price and wage controls at a single stroke, on a Sunday.<sup>17</sup> Writing later to Cowperthwaite, Friedman credited Zhao Ziyang with an "innate understanding of how markets work," and indeed a "real feeling for economics," in contrast to his successor, Jiang Zemin, who had "absolutely no understanding of the market."<sup>18</sup> Accordingly, Friedman's advice to Jiang Zemin had been necessarily blunt: "Privatize, privatize, privatize," since there was no "middle road" available to China in its transition from state socialism to free markets, although this was advice that he would subsequently modify: "It turns out that rule of law is probably more basic than privatization [which] is meaningless if you don't have the rule of law" (Friedman, quoted in Kwan 1993, 8; Friedman 2002, xvii). And once again, Hong Kong presented as the demonstration case.

It followed that Hong Kong ought to be a model not just for China but for the world, including the United States. "If Only," ran one of Friedman's Clinton-era editorials in the *Wall Street Journal*, "the U.S. Were as Free as Hong Kong" (Friedman 1997a). With Hong Kong as his trusty proof, the 85-year-old economist weighed in on the presidential race, chastising Bill Clinton for his delusions about "fair" trade and the conservative challenger Patrick Buchanan for his "false dogma" of protectionism, and once again summoning the authority of Cowperthwaite, that loyal "disciple of Adam Smith," whose wise administration had been equal to the "most severe test of free market policies," in a trade-exposed output lacking both natural resources and foreign aid (Friedman 1996, A20). After several friends sent him copies of this characteristically strident editorial, Cowperthwaite was prompted to write to Friedman from what he had been expecting to be a "low profile" retirement:

I am enjoying a little retrospective fame . . . . But you give me too much credit. I have always maintained that what contribution I made was largely negative—warding off the fashionable

---

<sup>17</sup> This event, the so-called "bonfire of regulations," can be regarded as the original application of neoliberal shock treatment (Yergin and Stanislaw 2002; Peck 2010).

<sup>18</sup> Correspondence, Friedman to Cowperthwaite, April 22, 1996 (Friedman papers, box/folder 141: 1-3; see also Friedman (1990) and Gewirtz (2017).

post-war policies of state intervention and not getting in the way of an enterprising and hardworking people. I do not think I was particularly influenced by Adam Smith. It simply seemed obvious that in Hong Kong's circumstances there could be no reasonable alternative (and certainly not a Keynesian one) and fortunately a large part of the population agreed with that view.<sup>19</sup>

This candid confession was one that Friedman-the-policy-activist could not readily accept, insisting in his reply that "I believe that I have not given you too much credit."<sup>20</sup> He believed that the refusal to grant Hong Kong political independence, even during the era of decolonization, had been crucial, as democratization would have surely prompted a departure from the true course of fiscal discipline and free-market development: "I believe, as I am sure you do, in political freedom," Friedman continued in his letter to Cowperthwaite, but "history tells me that in many cases political freedom tends to destroy economic freedom."

The self-styled "positive economist" was perhaps incapable of reaching any other conclusion, even during decades of reflection, after having retired from academic life. In what many consider to be the most influential methodological intervention in modern economics, the young Friedman famously made the case that "an explanation is adequate if it predicts subsequent occurrences of the events regardless of whether it portrays the beliefs and motivations of the actors accurately . . . . [A] good explanation is parsimonious, that is [it should cite] only a few causal variables" (Hall 2003, 386; see also Friedman 1953). By extension, Friedman chose to read Hong Kong in *ideologically* parsimonious terms, sometimes imagining a "controlled experiment" in which the territory's economic performance was judged alongside that of Britain, Israel, and the United States, pursuant to the "only plausible explanation," that Cowperthwaite's hand-off mode of governance was the decisive explanatory variable (Friedman 1997b, 36-37; 1990; 2004; *Wall Street Journal* 1997). Since the realism (or otherwise) of starting assumptions was deemed irrelevant, the explanation only needed to align with (or "predict") observed outcomes.

Effectively ready-made, therefore, was an explanation for the slowdown in Hong Kong's growth rate following the handover of 1997, coinciding as this did with a series of lapses in governmental fealty to laissez-faire principles (not to mention the Asian financial crisis of 1997-1998 and the SARS epidemic of 2002-2003). Most egregiously from Friedman's point of view, the Hong Kong government's US \$15 billion "emergency intervention" in the stock market in the wake of the Asian financial crisis was a move that he would dub "insane." This sacrilegious act prompted his allies at the Heritage Foundation to threaten to dethrone Hong Kong from its pole position atop the newly manufactured "index of economic freedom" (see Guyot 1998, 1999; Peck, Bok, and Zhang 2020). Despite this wobble, the economic-freedom rankings, which have their origins in discussions at the MPS meetings in Cambridge in 1984 and a subsequent initiative personally championed by Milton and Rose, placed Hong Kong as the freest economy in the world for a quarter century—effectively installing this anomalous city-state as the standard by which every other (national) economy should be judged (Slobodian 2017; Peck, Bok, and Zhang 2020).<sup>21</sup>

---

<sup>19</sup> Correspondence, Cowperthwaite to Friedman, March 27, 1996 (Friedman papers, box/folder 141: 1-3).

<sup>20</sup> Correspondence, Friedman to Cowperthwaite, April 22, 1996 (Friedman papers, box/folder 141: 1-3).

<sup>21</sup> Not until 2020 did the Heritage Foundation (which has been publishing annual ratings of "economic freedom" in partnership with the *Wall Street Journal* since the mid-1990s) demote Hong Kong from the paramount position which the territory had held for 25 consecutive years. In 2020, Hong Kong slipped to second place after Singapore, Heritage accounting for the downgrade with reference to the impact of "political and social turmoil" on business confidence and

Eventually, Friedman settled on the view that the “tide in the affairs of men” had been running in Hayek’s favor ever since the Great Inflation of the 1970s. During the dark decades of governmental creep, in the middle of the twentieth century, Hong Kong had been an isolated beacon of “free market policy,” in its state of colonial exception “never [having] departed from the Adam Smith tide,” but serving as an advance signal to the world of the rising tide of marketization, as a demonstration case and counterpoint to the “stagnation of those poorer countries that engaged in central planning” (Friedman and Friedman 2017 [1988], 221, 218). “Ideas [had] played a significant part” in this historic shift, the Friedmans concluded, albeit by indirect means, “less by persuading the public than by keeping options open.” So it was that the *idea* of Hong Kong, or rather *an* idea of Hong Kong, had served an essential (rhetorical and political) function, as a proof-of-concept location and real-world proxy for a free-enterprise state. While Friedman (1991, 4–5) had to concede that “a completely free private market exists nowhere in the world,” for decades he had drawn inspiration—and perhaps reassurance—from the fact that “Hong Kong is perhaps the closest approximation to it.” Right up until the final weeks of his life, he continued to push back against each and every deviation from the true course of positive non-interventionism, while heaping praise on the late Sir John as the personification of this “lasting model of good economic policy” (Friedman 2006a, vi; 2006b, A14).

## V. Conclusion: Paradise Lost

Milton Friedman never tired of extolling “the virtues of laissez-faire policies, if not economic miracles, so-called, in Hong Kong,” historian of economic thought Warren Samuels (2000, 247) once reflected. For all of Friedman’s achievements as a rigorous theorist, there was little that was rigorous about his avocation as a polemicist and policy activist. Ostensibly fascinated by this place, which for a time in the 1960s seemed to have come closer to epitomizing the free-market ideal than anywhere else, Friedman remained remarkably incurious about the particulars of its mode of growth and governance, indeed its place in the world. The close study of different models of governance, however, was never his thing—“you know it when you see it” was Friedman’s impressionistic method for diagnosing the presence, or otherwise, of a free-market economy governed by the rule of law (Friedman 2002, xix). Instead, Friedman preferred to refine and recycle affirmative homilies of laissez-faire governance, conveniently abstracted from the contingencies, conflicts, and complications of history and geography. His more straightforward and essentialized story of Hong Kong centered on the principled execution of a policy of laissez-faire in this “colony of socialist Britain,” courtesy of its most steadfast defender; it was “Cowperthwaite’s achievement” (Friedman 2006b, A14). Not even the protestations of the retired civil servant himself could deter Friedman from this view, let alone the alternative facts of history. What Friedman insisted on seeing as an archetype of lean-state capitalism—strictly managed according to the Smithian rulebook, as (if) an independent island in an ocean of Keynesian interventionism—was in fact an extreme case of a different sort: a manifestation of mean-state colonial capitalism, ruled according to the inglorious principles of pre-democratic governance, fiscal conservatism, and geopolitical pragmatism.

As Quinn Slobodian has argued, colonial “Hong Kong was a remarkable example of the neoliberal fix in [its most] basic form: a model of nonmajoritarian market economy that limited popular sovereignty while maximizing capital sovereignty” (2018, 336). The city-state has been a site of verification and validation for what Pierre Bourdieu (1998) once called the “strong discourse” of neoliberalism as a

---

the threat posed by ever-increasing “integration” with the mainland (Miller et al. 2020, 252). Hong Kong’s rule-of-law advantage, a foundation stone of its free-market model according to Heritage, was “imperiled” by these developments.

utopian project. Less of a truth spot, it has been a faith spot for the doctrine of market fundamentalism. Walter Heller, President Kennedy's chief economist, once quipped, "Milton Friedman's ideas are wonderful, but unfortunately they work only in heaven" (quoted in Malabre 1987, 74). During the half century that Milton Friedman spent visiting and proselytizing about Hong Kong, what early on was fixed as a uniquely idealized reading was to become, if anything, progressively *less* real. Hong Kong became hyper-real. If, in the spirit of Thomas More's original pun, utopia is read as a conflation of "no place" (*ou-topos*) and "good place" (*eu-topos*), then Hong Kong has indeed served as a kind of utopia for neoliberal intellectuals and policy advocates. In the filming of *Free to Choose*, Friedman used Hong Kong not just as a backdrop but as a prop. In due course, it would become a prop of a different kind: a ritual point of reference for the incantation of neoliberal principles, classically in the form of folk tales about Cowperthwaite's hands-off and information-lite mode of laissez-faire stewardship. Rather a marker of principled consistency, the repetitive shallowness of this discourse is more tellingly a sign of its fundamental emptiness.

It was in Hong Kong that Friedman the positive economist, whose parsimonious models were animated only by starting assumptions and judged according to correlative outcomes, would be eclipsed by Friedman the Cold-War polemicist, a man of convictions never less than firmly held, reflexively disdainful of half measures and middle ways. Never reconciled, these "two very different Milton Friedmans," as Warren Samuels portrayed them, were *both* predicates of a fundamentally Manichean worldview, the terms of which

tend strongly to be overgeneralized and undefined as well as exclusionary. [This discourse] typically fails to consider both alternative if less absolutist formulations and contradictory historical evidence. The language reifies certain largely unspecified institutional arrangements. The language mystifies about the ubiquity, inevitability and importance of government in the market/capitalist system. The language gives effect to sentiments and attempts to mobilize public opinion (Samuels 2000, 242, 245).

Friedman preached the gospel of free markets with what his Chicago-school colleague, Gary Becker, described as a "missionary's zeal" (Nelson 2001, 163). What he truly fell for, and went on to peddle with the fervor of a proselytizer, was an *idea* of Hong Kong—as an exoticized location readily amenable to not just stylization but sanctification. This idea of Hong Kong was indexed not just in literal terms—as it would be enthroned, for decades, as the ultimate measure of economic freedom—but metaphorically too, as a vehicle for sweeping rhetorical claims and other-worldly abstractions.

"In every generation," Friedman once said when challenged on his fondness for free-market absolutism, "there's got to be someone who goes the whole way, and that's why I believe as I do" (quoted in Noble 2006, B10). For all his talents as a public economist, policy advocate, and political protagonist, Friedman retained a distinctly unworldly worldview. His was a peculiarly neoliberal form of nostalgia for a time (and a place) that never really was. Like that other Milton, who also bore witness to a paradise that in the end was lost (Milton 2005 [1688]), Friedman believed that he had witnessed an original kind of beauty in the prudent management of "wanton growth." In Cowperthwaite's Hong Kong, the economist found his free-market Eden—and fodder for a lifetime's supply of affirmative homilies. The narrative of Hong Kong as an outpost of laissez-faire purity, validated by an unprecedented economic bounty, was never anything other than a "constructed belief" (Ngo 1997, 135), indeed a "contrivance" (Mizuoka 2018), but it would prove to be a construction with both staying power and policymaking utility for the purveyors of neoliberal theology. As Friedman once reflected, "Hong Kong has been very useful to me" (quoted in McGurn 1994, 29). Fantasy stories of Hong



Kong may have been too good to be true, but they have been *necessary* fantasies for the true believers in free-market utopias.

## REFERENCES

*Asian Wall Street Journal*. 1997. "What Sir John Said." June 30, 1997.

Bauer, Péter Tamás. 2000 [1980]. "Hong Kong." In *From Subsistence to Exchange and Other Essays*, edited by Peter T. Bauer, 109. Princeton University Press.

Bernstein, Peter. 1980. "The Man Who Brought You Milton Friedman." *Fortune*, February 25, 1980.

Biebricher, Thomas. 2015. "Neoliberalism and Democracy." 22 *Constellations* 255. <https://doi.org/10.1111/1467-8675.12157>.

Bourdieu, Pierre. 1998. "The Essence of Neoliberalism." *Le Monde Diplomatique*, December 1998. <https://mondediplo.com/1998/12/08bourdieu>.

Breit, William, and Roger L. Ransom. 1998. *The Academic Scribblers*. Princeton University Press.

Burgin, Angus. 2012. *The Great Persuasion*. Harvard University Press.

Burgin, Angus. 2013. "Age of Certainty: Galbraith, Friedman, and the Public Life of Economic Ideas." 45 *History of Political Economy* 191. <https://doi.org/10.1215/00182702-2310998>.

Butler, Eamonn. 2014. *A Short History of the Mont Pèlerin Society*. <https://www.montpelerin.org/wp-content/uploads/2015/12/short-History-of-Mps-2014.pdf>.

Choi, Alex H. 1997. "The Political Economy of Hong Kong's Industrial Upgrading: A Lost Opportunity." 12 *China Information* 157.

Chow, Gregory C. 2004. "Free to Choose." In *The Legacy of Milton and Rose Friedman's Free to Choose*, edited by Mark A. Wynne, Harvey Rosenblum and Robert L. Formaini, 153. Federal Reserve Bank of Dallas.

Cornelissen, Lars. 2017. "'How Can the People be Restricted?': The Mont Pèlerin Society and the Problem of Democracy, 1947–1998." 43 *History of European Ideas* 507. <https://doi.org/10.1080/01916599.2017.1365745>.

Crovitz, Gordon L. 1996. "Hong Kong's Challenge, Beijing's Opportunity." *Wall Street Journal*, June 17, 1996.

Devadiga, Jairaj. 2019. "A Dearth of Data Helped Hong Kong Succeed." *Wall Street Journal*, June 8, 2019.

Doherty, Brian. 1995. "Best of Both Worlds." 27 *Reason* 32.

Duggan, Lisa. 2003. *The Twilight of Equality? Neoliberalism, Cultural Politics, and the Attack on Democracy*. Beacon Press.

*Economist*. 2006. "A Heavyweight Champ, At Five Foot Two." November 25, 2006.

*Economist*. 2017. "The Resistance." October 7, 2017.

Ebenstein, Lanny O. 2007. *Milton Friedman: A Biography*. St. Martin's Press.

Friedman, Milton. Papers. Economics Cassette Series, April 25, 1972. Hoover Institution, Stanford, California.

Friedman, Milton. 1953. *Essays in Positive Economics*. University of Chicago Press.

Friedman, Milton. 1962. *Capitalism and Freedom*. University of Chicago Press.

Friedman, Milton. 1978. "How Stands the Theory and Practice of Monetary Policy?" Collected Works of Milton Friedman Records, Hoover Institution. Record number 2016c21.1115. <https://miltonfriedman.hoover.org/objects/57109/how-stands-the-theory-and-practice-of-monetary-policy?ctx=ca9b9943-b425-49c5-a226-b622bbfefe3a&idx=0>.

Friedman, Milton. 1990. *Friedman in China*. Chinese University Press.

Friedman, Milton. 1990 [1980]. "The Power of the Market." *Free to Choose*, episode 1. <https://www.youtube.com/watch?v=Jlg2i9Z2rU4>.

Friedman, Milton. 1988. "Free Markets and Free Men." 25th Anniversary Lecture, Chinese University of Hong Kong, September 27, 1988.

Friedman, Milton. 1991. "Economic Freedom, Human Freedom, Political Freedom." Inaugural Lecture, Smith Center for Private Enterprise Studies, California State University-East Bay, Hayward, November 1, 1991.

Friedman, Milton. 1996. "Hong Kong vs. Buchanan." *Wall Street Journal*, March 7, 1996.

Friedman, Milton. 1997a. "If Only the U.S. Were as Free as Hong Kong." *Wall Street Journal*, July 8, 1997.

Friedman, Milton. 1997b. "The Real Lesson of Hong Kong." *National Review*, December 31, 1997.

Friedman, Milton. 2002. "Preface: Economic Freedom Behind the Scenes." In *Economic Freedom of the World*, edited by James Gwartney and Robert Lawson, xvii. Fraser Institute.

Friedman, Milton. 2004. "Milton Friedman." In *Lives of the Laureates*, edited by William Beit and Barry T. Hirsh, 65. MIT Press.

Friedman, Milton. 2006a. "Cowperthwaite and the Free Market in Practice." In *Economic Freedom of the World*, edited by James Gwartney and Robert Lawson, with William Easterly, vi. Fraser Institute.

Friedman, Milton. 2006b. "Hong Kong Wrong." *Wall Street Journal*, October 6, 2006.

Friedman, Milton, and Rose D. Friedman. 1980. *Free to Choose*. Harcourt Brace Jovanovich.

Friedman, Milton, and Rose D. Friedman. 1998 [1977]. *Two Lucky People*. University of Chicago Press.

Friedman, Milton, and Rose D. Friedman. 2004. "Foreword." In *The Legacy of Milton and Rose Friedman's Free to Choose*, edited by Mark A. Wynne, Harvey Rosenblum and Robert L. Formaini, vii. Federal Reserve Bank of Dallas.

Friedman, Milton, and Rose D. Friedman. 2017 [1988]. "The Tide in the Affairs of Men." In *Milton Friedman on Freedom: Selections from the Collected Works of Milton Friedman*, edited by Robert Leeson and Charles G. Palm, 207. Hoover Institution Press.

Fund, John H. 2007. "TV's Evangelist for Capitalism." *Wall Street Journal*, January 31, 2007.

Galbraith, John Kenneth. 1981. *A Life in Our Times: Memoirs*. Houghton Mifflin.

Gewirtz, Julian. 2017. "The Little-Known Story of Milton Friedman in China." 39 *Cato Policy Report* 1.

Girling, Barry. 1981. "Freedom a-la-Friedman . . . An Absorbing Choice." *South China Morning Post*, March 12, 1981.

Goodstadt, Leo F. 2018. *A City Mismanaged: Hong Kong's Struggle for Survival*. Hong Kong University Press.

Grant, James. 2014. "Measuring the Unmeasurable." *Wall Street Journal*, March 12, 2013.

Guyot, Erik. 1998. "Hong Kong's Stock Intervention is 'Insane,' Milton Friedman Says." *Wall Street Journal*, September 3, 1998.

Guyot, Erik. 1999. "A Decade of Change—Reined In." *Wall Street Journal*, September 27, 1999.

Haddon-Cave, Philip. 1980. "The Making of Some Aspects of Public Policy in Hong Kong." In *The Business Environment in Hong Kong*, edited by David G. Lethbridge, xiii. Oxford University Press.

Hall, Peter A. 2003. "Aligning Ontology and Methodology in Comparative Research." In *Comparative Historical Analysis in the Social Sciences*, edited by James Mahoney and Dietrich Rueschemeyer, 373. Cambridge University Press.

Hartwell, Max. 1995. *A History of the Mont Pèlerin Society*. Liberty Fund.

- HKSAR [Hong Kong Special Administrative Region]. 2017. "Speech by FS at Cato Institute Book Launch Event in Washington, DC." *Press Release*, October 14, 2017. <https://www.info.gov.hk/gia/general/201710/14/P2017101400067.htm>.
- Holden, Anthony. 1980. "The Free Market Man." *Observer*, February 17, 1980.
- IEA. 2002. *A Tribute to Peter Bauer*. Institute of Economic Affairs.
- Kwan, Daniel. 1993. "Nobel Winner in Reform Warning." *South China Morning Post*, October 30, 1993.
- Langer, Lorenz. 2008. "Out of Joint?—Hong Kong's International Status from the Sino-British Joint Declaration to the Present." 46 *Archiv Des Völkerrechts* 309. <https://www.jstor.org/stable/40800219>.
- Lepage, Henri. 2003. "Entretien avec Milton Friedman: Le Triomphe du Libéralisme." 100 *Politique Internationale* 7.
- Li, Kui-Wai. 2012. *Economic Freedom: Lessons from Hong Kong*. World Scientific.
- Ma, Ngok. 2009. "Reinventing the Hong Kong State or Rediscovering it? From Low Interventionism to Eclectic Corporatism." 38 *Economy and Society* 492. <https://doi.org/10.1080/03085140903020697>.
- Machan, Tibor. 1978. "The Meeting of the (Free) Minds." 10 *Reason* 47.
- Malabre, Alfred L. 1987. *Beyond Our Means*. Random House.
- Mark, Chi-kwan. 2017. "To 'Educate' Deng Xiaoping in Capitalism: Thatcher's Visit to China and the Future of Hong Kong in 1982." 17 *Cold War History* 161.
- McGurn, William. 1994. "Yes, Minister." *Far Eastern Economic Review*, March 31, 1994.
- McGurn, William. 2012. "The Hong Kong Model." *Wall Street Journal Online*, August 14, 2012. <https://www.wsj.com/video/opinion-the-hong-kong-model/7E0F58F9-2364-4E4A-B7C0-CB88EDAE7CF0.html>.
- Miller, Terry, Anthony B. Kim, and James M. Roberts, with Patrick Tyrrell. 2020. *2020 Index of Economic Freedom*. Heritage Foundation.
- Milton, John. 2005 [1688]. *Paradise Lost*. Hackett Publishing.
- Mirowski, Philip, and Dieter Plehwe, eds. 2009. *The Road from Mont Pèlerin*. Harvard University Press.
- Mizuoka, Fujio. 2018. *Contrived Laissez-Faireism: The Politico-Economic Structure of British Colonialism in Hong Kong*. Springer.
- Monnery, Neil. 2017. *Architect of Prosperity: Sir John Conperthwaite and the Making of Hong Kong*. London Publishing Partnership.

- Nash, George H. 2006. *The Conservative Intellectual Movement in America Since 1945*. Intercollegiate Studies Institute.
- Nelson, Robert H. 2001. *Economics as Religion*. Pennsylvania State University Press.
- New York Times*. 2020. "Freedom Loses Again in Hong Kong." August 11, 2020.
- Ngo, Tak-Wing. 1997. "The Legend of a Colony: Political Rule and Historiography in Hong Kong." 12 *China Information* 135. <https://doi.org/10.1177/0920203X9701200107>.
- Nisbet, James W. 1929. *A Case for Laissez-Faire*. P. S. King & Son.
- Noble, Holcomb B. 2006. "Milton Friedman, The Champion of Free Markets, Is Dead at 94." *New York Times*, November 17, 2006.
- O'Connor, John J. 1981. "Milton Friedman's Economics Series in Rerun." *New York Times*, July 14, 1981.
- O'Rourke, P. J. 1998. *Eat the Rich: A Treatise on Economics*. Atlantic Monthly Press.
- Peck, Jamie. 2010. *Constructions of Neoliberal Reason*. Oxford University Press.
- Peck, Jamie. 2011. "Neoliberal Suburbanism: Frontier Space." 32 *Urban Geography* 884. <https://doi.org/10.2747/0272-3638.32.6.884>.
- Peck, Jamie, Rachel Bok, and Jun Zhang. 2020. "Hong Kong—A Model on the Rocks?" *Territory, Politics, Governance*. Published ahead of print, November 6, 2020. <https://doi.org/10.1080/21622671.2020.1837221>.
- Peck, Jamie, and Nik Theodore. 2019. "Still Neoliberalism?" 118 *South Atlantic Quarterly* 245.
- Plehwe, Dieter, Quinn Slobodian, and Philip Mirowski, eds. 2020. *Nine Lives of Neoliberalism*. Verso Books.
- Prasad, Monica. 2006. *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States*. University of Chicago Press.
- Purves, Andrew. 2015. *No Debt, High Growth, Low Tax: Hong Kong's Miracle Explained*. Shephard-Walwyn Publishers.
- Rabushka, Alvin. 1979. *Hong Kong: A Study in Economic Freedom*. University of Chicago Press.
- Rabushka, Alvin. 2000 [1981]. *Hong Kong: A Story of Human Freedom and Progress*. Liberty Fund.
- Romer, Paul. 2010. "Creating More Hong Kongs." *Harvard Business Review*, January-February 2010. <https://hbr.org/2010/01/the-hbr-list-breakthrough-ideas-for-2010>.

- Rothbard, Murray N. 1978. "Optimism and Pessimism in Hong Kong." 10 *Reason* 50.
- Rothbard, Murray N. 2002. "Milton Friedman Unraveled." 16 *Journal of Libertarian Studies* 37.
- Ruger, William. 2013. *Milton Friedman*. Bloomsbury.
- Samuels, Warren J. 2000. "Milton and Rose Friedman's Two Lucky People." In *Research in the History of Economic Thought and Methodology*, volume 18-A, edited by Warren J. Samuels and Jeff E. Biddle, 241. JAI Press.
- Scott, Ian. 1989. *Political Change and the Crisis of Legitimacy in Hong Kong*. Oxford University Press.
- Seldon, Arthur. 1979. "Individual Liberty, Public Goods and Representative Democracy." 30 *Ordo: Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft* 131.
- Seldon, Arthur. 1990. *Capitalism*. Basil Blackwell.
- Slobodian, Quinn. 2017. "Milton Friedman's Colony: How Neoliberals Made Hong Kong the Measure of the World." Colloquium presentation, Department of History, University of Hong Kong, March 2, 2017.
- Slobodian, Quinn. 2018. *Globalists: The End of Empire and the Birth of Neoliberalism*. Harvard University Press.
- Slobodian, Quinn. 2019. "Democracy Doesn't Matter to the Defenders of 'Economic Freedom.'" *Guardian*, November 11, 2019.  
<https://www.theguardian.com/commentisfree/2019/nov/11/democracy-defenders-economic-freedom-neoliberalism>.
- So, Alvin Y. 1986. "The Economic Success of Hong Kong: Insights from a World-System Perspective." 29 *Sociological Perspectives* 241. <https://www.jstor.org/stable/1388960>.
- So, Alvin Y. 2011. "'One Country, Two Systems' and Hong Kong-China National Integration: A Crisis-Transformation Perspective." 41 *Journal of Contemporary Asia* 99.  
<https://doi.org/10.1080/00472336.2011.530039>.
- South China Morning Post*. 1988a. "Devotees Left in the Dark." September 29, 1988.
- South China Morning Post*. 1988b. "The Ball's Firmly in Friedman's Court." June 21, 1988.
- Stigler, George J. 1979. "Why Have the Socialists Been Winning?" 30 *Ordo: Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft* 61.
- Sung, Yun-Wing. 1989. "The Hong Kong Development Model and its Future Evolution: Neoclassical Economics in a Chinese Society." In *Economic Development in Chinese Societies*, edited by Y. C. Jao, Victor Mok, and Lok-Sang Ho, 155. Hong Kong University Press.

Tsang, Donald. 2006. "Big Market, Small Government." Press release, September 18, 2006. <https://www.ceo.gov.hk/archive/2012/eng/press/oped.htm>.

van den Haag, Ernest. 1979. "Mont Pelerin Strikes Again." *National Review*, February 16, 1979.

*Wall Street Journal*. 1997. "Milton Friedman on Hong Kong's Future." February 12, 1997.

*Wall Street Journal Europe*. 2004. "Summit of Global Laureates in Economics." September 3, 2004.

Wei, Peh Ti. 1981. "Myopic View of Utopia." *South China Morning Post*, March 29, 1981.

Wilson, Duff. 2003. "Economist Tied to Fake Art Faces Tax Charges," *Seattle Times*, January 29, 2003. <http://community.seattletimes.nwsourc.com/archive/?date=20030129&slug=cheung29>.

Winn, Howard. 1988. "China 'Must Not Bail Out Firms.'" *South China Morning Post*, September 24, 1988.

Wood, John Cunningham, and Ronald N. Woods, eds. 1990. *Milton Friedman: Critical Assessments*. Routledge.

World Bank. 1993. *The East Asian Miracle*. World Bank.

Woronoff, Jon. 1980. *Hong Kong, Capitalist Paradise*. Heinemann Asia.

Yergin, Daniel, and Joseph Stanislaw. 2002. *The Commanding Heights*. Touchstone Books.