

# FREEDOM CHAMPIONS

STORIES FROM THE FRONT LINES IN THE WAR OF IDEAS

**30 Case Studies by Intellectual Entrepreneurs  
Who Champion the Cause of Freedom**

Edited by Colleen Dyble

with an Introduction and Epilogue  
by Brad Lips



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\* The twelve chapters marked with asterisks originally appeared in *Taming Leviathon: Waging the War of Ideas*, published by the Institute of Economic Affairs.



# 06

## Fostering Libertarianism in South Korea

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**Chung-Ho Kim**  
Center for Free Enterprise  
(South Korea)

### CHAPTER

#### WE FOUND THE MARKET IN HAYEK

As I reflect on the establishment and brief history of the Center for Free Enterprise, I am reminded of something said by a former official in the Lyndon Baines Johnson administration: ‘History never looks like history when you are living through it.’ Sometimes, you don’t realize how incredible some things are until you take a moment to reflect. In so many ways, it is remarkable that a libertarian think tank would be founded in South Korea and have had such incredible influence in such a short time.

Our story starts in 1994. At that time, Dr Gong Byeong-ho and I were resident researchers for the Korea Economic Research Institute (KERI). KERI was lukewarm in its defense of free markets, but at that time, they were the best we had. Dr Gong and I have the battle scars to prove it. We were regarded as heretics both inside and outside of our organization for refusing to yield to popularly held myths about the economy and government control.

Consider the context: in the early 1990s, most Koreans who discussed economic issues regarded chaebol (large conglomerates, such as Samsung, LG, Hyundai) as villains. They believed that chaebol needed to be tightly controlled in order to prevent them from abusing their power. This popular perception led to a number of shackles being placed on them. Regulations were constantly introduced to a welcoming public. Whether it was restrictions on chaebol business diversification plans or regulation over the amount they could loan from banks, it seemed that getting chaebol under control was the nation's priority.

Within that atmosphere, we argued that the fundamental problem with chaebol was not their excessive diversification or gigantic size. Rather, that the state rarely allowed them to go bankrupt. Those few times they were allowed to go belly-up, it was more likely to be revenge by politicians rather than decisions made based on economic principles. We argued that chaebol needed to be allowed to go bankrupt but we were dismissed as heretics.

KERI was like an isolated island adrift in an anti-capitalist ocean. Most people did not even consider whether our analysis made sense. They dismissed us as puppets of the chaebol because KERI was financed by the Federation of Korean Industries (FKI), a lobby group for these companies.

Shakespeare is often credited with the phrase, 'Don't shoot the messenger.' That dates back to ancient times in which messengers bringing bad news would be killed. As Sophocles declared in *Antigone*, 'No one loves the messenger who brings bad news.' However, our 'news' was actually good. There was no need to continue wasting valuable resources by propping up failing chaebol.

Our 'news' that seemed so bad was also good when it came to land issues. After extensively studying land and housing markets in South Korea, I concluded that prices were inflated because of a government-imposed ban on developing agricultural fields or forests for residential and commercial uses and restriction on high-rise buildings. Most people – citizens, as well as politicians – blamed an easy target: so-called speculation by investors. They assumed that land prices jumped because a few rich people owned too much

land and too many houses. I refuted the myths in many articles, laying the blame at the hands of politicians intervening in the real estate market, but failed to make a considerable impact on policy decision-making. It was a frustrating experience.

Our frustration about the myths surrounding the chaebol and land issues motivated us to study human nature. We wanted to understand where the anti-capitalist mindset of so many people originated. We studied such diverse areas as anthropology, psychology and brain science in order to understand how jealousy affects human logical reasoning processes.

Then, in a case of serendipity, I came across Hayek's 'Three Sources of Human Values' translated into Korean by Professor Min Kyung-kuk who was, at that time, the one and only expert on Hayek in Korea. Hayek's conclusion that primitive instincts hard-wired in the brain conflict with the spontaneous order which evolves in the market provided a partial answer to my questions.

I recommended the book to Dr Gong. After a couple of weeks, he came to my office and made an unforgettable remark: 'Here, I see the market.' He meant that we could promote Hayek's ideas in Korean society.

We then launched into reading Hayek's other books and learned how to interpret social change through the concept of evolution. With Hayek as our mentor, we achieved our goal in 1996 by publishing a book entitled *Human Nature in Conflict*. Although it was not a commercial success, the publication helped us document the development of our intellectual journey.

## GIVING BIRTH TO THE CENTER FOR FREE ENTERPRISE

Around that time, Mr Sohn Byung-doo joined KERI as CEO. He wanted to overhaul the institute. Gong became his de facto brain. There were few people who dared to say openly that Korea needed pure market principles. Although researchers at KERI were then the most market-friendly intellectuals in Korea, it would not have been accurate to label them libertarian. Their view was that although the market economy itself was superior to all known alternatives, pro-market policies should be introduced in a prudent manner given the possibility of market failure. Gong argued to Sohn that KERI must be overhauled to advocate the principles of the pure market economy in an open and aggressive way.

At the invitation of Jo Kwong of the Atlas Economic Research Foundation, Gong and Sohn participated in the Mont Pelerin Society's 1996 annual meeting. During the trip, Dr Gong finally succeeded in persuading

Sohn of the need to establish a libertarian think tank. After returning, the Center for Free Enterprise (CFE) was born under the umbrella of KERI. Gong launched the CFE with only five employees. Although I remained at the KERI as the division head for regulation studies, I implicitly agreed to join the CFE when the right time came.

Gong and I were eager to launch the CFE as a separate and independent think tank. The opportunity came at an unexpected time. In early 1997, Sohn moved from KERI to the Federation of Korean Industries (FKI) as its vice-chairman. We succeeded in launching the CFE as a separate organization with help from Mr Sohn and Mr Chae (then-president of both the FKI and the SK Corporation). Former Yonsei University president, Song Ja, joined us as chairman of our board. He did not hesitate in accepting our invitation although he clearly was too prominent for a start-up organization with just nine employees.

We knew we were going against the odds. Our motto: ‘No Fear! No Compromise! Least Cost!’ reflected our determination to promote the market economy externally without compromise, and internally to run the institute at a minimum cost. It would be very difficult to advocate free market principles in South Korea.

## THE CFE AS A STRONG SUPPORTER OF LIBERTARIANS

Our mission was to foster libertarianism. We were determined to disseminate libertarian ideas in an organized and aggressive way. Under the theme of the ‘Libertarian Series’, we began to introduce libertarian classics to Korean readers, starting with the works of Hayek, Ludwig von Mises, Ayn Rand, Israel Kirzner, Douglas North, and James Buchanan. Up to September 2009 we had published 60 volumes in the series, including both Korean and foreign authors.

We also set out to publish a series of policy studies under the theme of ‘Freedom and Reform’. The biggest hurdle was to ferret out scholars who could propose policy alternatives from a libertarian perspective. We offered research grants to university scholars with libertarian policy proposals. The result is that we published 21 books. In retrospect, the ideas were fairly mild and even flawed at times, but, nevertheless, they shocked readers and intellectuals. Park Dong-wun’s *Labor Market Flexibility* and Kim Young-yong’s *Medical License: Critiques and Alternatives* were especially controversial.

## SPREADING LIBERTARIANISM VIA FAX AND EMAIL NEWSLETTER

Despite those academic successes, the CFE’s main goal remained to spread the philosophy of libertarianism. All the research papers were produced with this goal in mind. We made a series of booklets with easy and short writings on libertarianism for wide distribution to general readers, including the Story Handbook Series and the Free World Handbook Series.

We did not hesitate to go beyond the paradigm followed by the existing academic research centers. We launched massive promotional activities in public: we displayed our publications in bank lounges, and placed ads about CFE on the walls of subway stations and trains.

We started burning up our fax lines. Most research institutions mailed their research papers or held seminars to promote their achievements or viewpoints. CFE obtained fax numbers and email addresses of key opinion leaders and sent them weekly newsletters. We were lucky that it was May 1998 and not 2009. Today those tactics might be treated as push mail and we could be subject to penalties. We were the first in South Korea to do that, so naturally, we attracted quite a bit of attention. From August 1998, these newsletters became the most important communications outlet for the CFE. We also built a network of outside contributors, hosted research-paper contests for college students, and summer school for students and teachers.

## SOLE FIGHTER AGAINST THE MINORITY-SHAREHOLDER RIGHTS MOVEMENT

Just eight months after the CFE was established in April 1997, the Asian foreign currency crisis erupted. With a number of companies and financial institutions at the brink of bankruptcy, the Korean economy was at a crossroads. Policymakers had to decide whether to use the cumbersome hand of government to protect the collapsing enterprises with state subsidies, or to let the invisible hand of the free market take care of them.

Debates started to heat up over the issue and the CFE was standing up for the free market. President Gong gained notoriety by vehemently supporting the free market in debates with interventionists, intellectuals and labor union leaders. Along the way, Dr Gong and the CFE gained attention, but critics again attempted to kill the messenger by charging that the CFE was a puppet for chaebol.

Another significant task for the CFE was to deal properly with civil rights groups. The start of democratization in 1987 had resulted in the creation of a number of civic groups. The People's Solidarity for Participatory Democracy (PSPD) emerged as one of the most influential organizations. In 1997, the economic democratization committee of the PSPD was chaired by Chang Ha-sung, a Korea University professor and internationally known activist. The politically popular PSPD launched a minority-shareholder movement.

Despite widespread support for their shareholder activism, we believed that they were wrong. Even though it was problematic that controlling shareholders dominated minority shareholders, shareholder activism would not solve the problem. There needed to be a free market in corporate control. We were convinced that the PSPD aimed at transferring corporate control away from existing controlling shareholders and to outside directors, who would be under the influence of civil groups. We began publishing monographs highlighting libertarian options for corporate problems.

No one dared to stand against the PSPD, which was portrayed as angels at war with nefarious business giants. The CFE was alone in arguing that the PSPD could be wrong. As time has gone by, a considerable number of intellectuals and journalists have come to agree with us. We just wish that more intellectuals would think with their heads rather than their hearts.

## FREE MARKET EDUCATION

In May 2003, I became the acting president for the CFE, succeeding Dr Min who was the second president after founding president, Dr Gong. My first initiative was to reinforce our public relations activities, including email newsletters and educational functions. We began to send email newsletters four times a week to our list of 55,000 registered members. I also put our resources and effort into the education business. We launched a new project to establish classes on free market principles at universities during the 2003 fall semester. The CFE's role was to channel the FKI's fund into establishing free market lectures and it turned out to be mutually beneficial. It was good for universities because they could invite outside speakers without worrying about the financial cost. It was attractive for the CFE because a regular credit course would be the most effective way to teach free market principles directly to students and professors and we did not have to recruit students or rent lecture rooms. In the middle of the fall 2009 semes-

ter, there were approximately 3,300 students at 25 universities taking free market courses sponsored by the CFE. In 2006, the CFE was awarded the Templeton Freedom Prize in the area of student outreach.

## CHALLENGES AHEAD

Although the CFE achieved a lot during its first twelve years, much more, to paraphrase Lenin, remains to be done. One main thing we need to do is to break the dependency that people of all income levels have on the government. This includes the firms that still look to the government to block competition, to low-income people who look to the government for income subsidies. In other words, the 'free lunch' that so many have become used to having must end. The biggest challenge associated with that will be ending the bad habit which so many politicians have of robbing the rich and middle-class to redistribute money.

In order to achieve such a fundamental social change, the CFE literally needs a different channel. I believe that now is the time for a broadcasting channel to reach the masses. In early December 2010, the CFE will be launching an Internet-based broadcast. Although we face many tremendous hurdles, the last twelve years are an indication that we can be successful. As I quoted at the beginning of this article, history doesn't always feel like history when you are living through it. But after twelve years of progress, we are confident that as advocates of liberty we are on the right side of history.