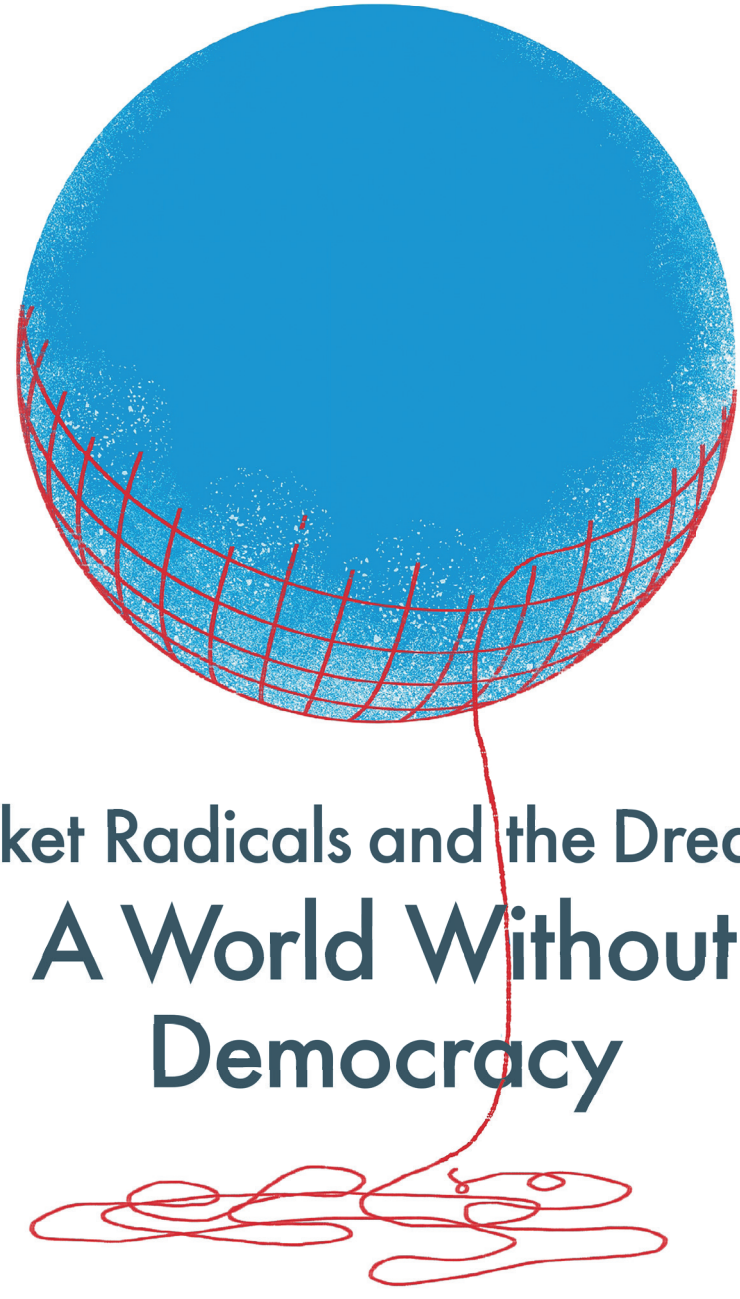
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Market Radicals and the Dream of A World Without Democracy

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Market Radicals and the Dream of a World Without Democracy

QUINN SLOBODIAN



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for my sister, Mayana

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But early in the twenty-first century it became clear that the planet was incapable of sustaining everyone alive at Western levels, and at that point the richest pulled away into their fortress mansions, bought the governments or disabled them from action against them, and bolted their doors to wait it out until some poorly theorized better time, which really came down to just the remainder of their lives, and perhaps the lives of their children if they were feeling optimistic—beyond that, *après moi le déluge*.

Kim Stanley Robinson, *The Ministry for the Future*

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The world's special economic zones. The dot size corresponds to the area covered by each zone. For an interactive version of the map see openzonemap.com.

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INTRODUCTION

Shatter the Map

Without looking at your phone, how many countries are there in the world? Not sure? The answer is about two hundred, more or less. Now think ahead to the year 2150. How many will there be then? More than two hundred? Fewer? What if there are a thousand countries? Or only twenty? What about two? Or one? What kinds of futures would these maps suggest? What if everything depended on the answer?

The person posing this thought experiment in 2009 was the forty-one-year-old venture capitalist Peter Thiel.[1] Having made a small fortune by founding PayPal and investing early in Facebook, he had just taken a huge hit in the financial crisis the year before. He now had one thing on his mind: how to escape from the tax-collecting democratic state. "I no longer believe that freedom and democracy are compatible," he wrote. "The great task for libertarians is to find an escape from politics in all its forms."[2] The more countries there were, the more possible places to take your money, and the less likely any country would be to raise taxes for fear of spooking the goose that

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laid the golden eggs. "If we want to increase freedom," he said, "we want to increase the number of countries."[3]

Thiel cast the idea of a world of thousands of polities as the utopian dream of a future reality. What he didn't mention was that the future he was describing in many ways already existed.

A standard globe shows an uneven mosaic of colors, pixelated more densely in Europe and Africa, easing out to broader chromatic stretches across Asia and North America. This is a familiar vision of the world, the one that we have been taught since grade school, the one that Thiel was referring to: each patch of land with its own flag, its own anthem, its own national costume and cuisine. The opening parade of the Olympic Games performs this version of the globe every couple of years, reassurance that it's a small world after all.

But we make a mistake if we see the world only in this jigsaw of nations. In fact, as scholars remind us, the modern world is pockmarked, perforated, tattered and jagged, ripped up and pinpricked. Inside the containers of nations are unusual legal spaces, anomalous territories, and peculiar jurisdictions. There are city-states, havens, enclaves, free ports, high-tech parks, duty-free districts, and innovation hubs. The world of nations is riddled with *zones*—and they define the politics of the present in ways we are only starting to understand.[4]

What is a zone? At its most basic, it is an enclave carved out of a nation and freed from ordinary forms of regulation. The usual powers of taxation are often suspended within its borders, letting investors effectively dictate their own rules. The zones are quasi-extraterritorial, both of the host state and distinct from it. Zones come in a bewildering range of varieties—at least eighty-two, by one official reckoning.[5] Among the more prominent are the special economic zone, the export-processing zone, and the foreign-trade zone. At one end of the socioeconomic spectrum, zones can be nodes in the networks of cross-border manufacturing.[6] Often ringed by barbed wire, these are sites for low-wage production. At the other end, we can see a version of the zone in the tax havens where transnational corporations secrete away their earnings—what the economist Gabriel

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Zucman calls "the hidden wealth of nations."[7] The flight of corporate profits to these low- or zero-tax jurisdictions costs the United States alone $70 billion a year in tax revenue, while offshore tax shelters hold an estimated $8.7 trillion of the world's wealth.[8] Some Caribbean islands count more registered companies than residents.[9] In his first run for office, candidate Barack Obama singled out Ugland House in the Cayman Islands, which contained twelve thousand corporations. "That's either the biggest building or the biggest tax scam on record," he said.[10] In fact, it was totally legal, a workaday fact of the global financial system.[11]

There are over 5,400 zones in the world, far more regimes than in Thiel's fantasy of a future world of a thousand countries. One thousand new zones have appeared in the last decade alone.[12] Some are no bigger than a factory or a warehouse, a switch-point in the logistical circuitry of the global market, or a site for storing, assembling, or refining a product to avoid tariffs.[13] Others are urban megaprojects—such as New Songdo City (Songdo International Business District), in South Korea; Neom, in Saudi Arabia; or the city of Fujisawa, in Japan—which run under their own rules like private city-states.[14] In 2021, lawmakers in Nevada floated a similar idea, suggesting they might let corporations that relocate to their state write their own laws—the return of the company town a century later, made over as the "innovation zone."[15] In the United Kingdom, the Conservative government made the creation of a chain of duty-free zones or free ports the centerpiece of a proposal to "level up" the deindustrialized North after Brexit. Its quixotic goal? To compete with Dubai's Jebel Ali Free Zone, founded in 1985, where corporations enjoy half-century tax holidays and have access to foreign laborers housed in dormitories and paid a fraction of a British living wage.[16]

I use the metaphor of perforation to describe how capitalism works by punching holes in the territory of the nation-state, creating zones of exception with different laws and often no democratic oversight. The philosopher Grégoire Chamayou adds another metaphor, likening projects of privatization to the technique of the longhorn beetle,

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gnawing away at the structure of society from inside.[17] We could reach for another metaphor and recall how a piece of lace is made by knotting threads together with gaps in between. What emerges gives the impression of a pattern by what is left out. The insider's term for this is *voided patterning*. To understand the world economy, we need to learn to see the voids.

Most of the world's zones are in Asia, Latin America, and Africa. China alone has almost half of them. Europe and North America combine for less than 10 percent.[18] Yet as we will see, zones have some of their most ardent supporters in the West, who hail them as experiments in what I call *micro-ordering*, or the creation of alternative political arrangements at a small scale. Champions of the zone suggest that free-market utopia might be reached through acts of secession and fragmentation, carving out liberated territory within and beyond nations, with both disciplining and demonstration effects for other states. "Localized freedom," the Heritage Foundation's Stuart Butler wrote in 1982, "can rot the foundations of the unfree state around it."[19] Promoters of perforation cast themselves melodramatically as guerrillas of the Right, reclaiming—and decomposing—the nation-state, zone by zone. Once capital flees to new low-tax, unregulated zones, the theory goes, nonconforming economies would be forced to emulate these anomalies. By starting small, the zone sets out to model a new end state for all.

This book tells the story of what I call *crack-up capitalism*. It is, at once, a description of the world that has come into being through the uncoordinated efforts of private actors seeking profit and economic security over the last forty years, enabled by willing governments, *and* the tale of a deliberate ideology. Crack-up capitalism is a label for both the way the world works and a way that specific people hope to continue to change the world. It is a way to describe a world that is both ever more interconnected and ever more fragmented. Crack-up capitalists spot signs of the mutation of the social contract and ask whether they could accelerate and profit from the dynamics of dissolution. They are students of what Lionel Shriver calls in her 2016

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novel, *The Mandibles*, "the recently minted genre of apocalyptic economics."[20]

The zone is not only out there in the world. The zone begins at home. For most, this does not mean outright secession or the creation of a new state—not seizing the heights of power but the accretion of many small acts of refusal. One market radical calls this *soft secession*.[21] We can secede by removing children from state-run schools, converting currency into gold or cryptocurrency, relocating to states with lower taxes, obtaining a second passport, or expatriating to a tax haven.[22] We can secede, and many have, by joining gated communities to create private governments in miniature. By the new millennium, about half of all new developments in the American South and West were gated and master-planned.[23] Gated enclaves are global, from Lagos to Buenos Aires.[24] In India, gated communities began with the seizure of public roads through the installation of steel barriers, before moving on to blue-sky master-planned "colonies" clustered around special economic zones.[25]

A venture capitalist who worked for Peter Thiel coined an ingenious term when he called this form of soft secession *underthrow*.[26] For him, the best model of politics was the corporation. We opt in and out as customers. If we don't like the product, we shop elsewhere. Nobody demands anything of us and we feel obliged to nobody in particular. We rely, in the classic dichotomy laid out by the economist Albert Hirschman a half century ago, on exit rather than voice.[27]

Each act of soft secession—each corporation stashing away its profits with a brass-plate company in Switzerland or the Caribbean; each standoff over grazing rights with federal agents; each rent-a-cop, contractor, or mercenary hired to patrol, jail, or raid—is another small victory for the zone, another pinhole in the collective. We are being encouraged to live in zones by those who profit most by our abdication from the shared set of responsibilities. A hundred years ago, the robber barons built libraries. Today, they build spaceships. This book is a history of the recent past and our troubled present, when billionaires dream of escaping the state, and the idea of the public is

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repellent. It tells the story of a decades-long effort to pierce holes in the social fabric, to opt out, secede, and defect from the collective.

To understand the significance of crack-up capitalism, we need to step back and recall the big stories scholars have told about the last several decades. The fall of the Berlin Wall on November 9, 1989, inaugurated an era of globalization. In his novel *Islands in the Net*, Bruce Sterling conjured a vision of this hyperconnected earth "all netted together in a web over the world, a global nervous system, an octopus of data."[28] The dominant visualizations are of connection: blue lines of lasers linking the world's far-flung locations, a skein of exchange and mobility. The trend was toward interconnection: the World Trade Organization, the European Union, and the North American Free Trade Agreement were created within a few years of one another. But there was also an alternative timeline if you looked closely, one that was marked as much by fragmentation as unity. The two Germanys unified in 1990, but the Soviet Union splintered the following year. Yugoslavia dissolved as the European Union formed. Somalia descended into a civil war and would have no central state for over a decade.

New barricades replaced old ones as the Cold War ended. Goods and money were free to flow, but not people. Walls were built the world over. By one estimate, more than ten thousand miles of borders worldwide have been hardened with barriers.[29] In 1990, the United States planted its first stretch of border fence, south of San Diego. President Bill Clinton liberalized trade in North America while he authorized Operation Gatekeeper, further fortifying the southern border.[30] Two months after the Wall fell in Berlin, the BBC released a drama called *The March*, which follows a Sudanese man as he musters people displaced by war and poverty to march across North Africa to Europe. The final scene shows the caravan arriving in a resort town in southern Spain, climbing steps toward a wall of armed troops as a helicopter hovers overhead. An African teenage boy in a Miami

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Dolphins cap is shot dead on the beach by the soldiers, an icon of cosmopolitanism's broken promise. Since 2014 alone, upwards of twenty-four thousand people have died at sea attempting to reach Europe.[31] Globalization has both centripetal and centrifugal force. It binds us together while it tears us apart.

This book homes in on the 1990s as an underrated period of political ferment and a crucible of national and post-national imagination. The story we tell of the decade—based on ever-broader integration and ever-larger economic unions—must be flipped to show the depth of the secessionist energy and zeal for experiments in micro-ordering. When the political scientist Francis Fukuyama speculated about "the end of history" in 1989, he meant the convergence of the world around the model of liberal democracy but also the uncontested reign of a particular model of arranging the earth: divided into bound, self-determining nation-states within a single global economy linked through public international law.[32] But the ongoing evolution of global capitalism has changed the picture. The end of empire and the end of communism birthed a bevy of new sovereign nation-states even as another political form was also coming into being. From the 1990s, and increasingly so through the present day, the nation-state has been joined by the new entity of the zone.

Zones help us rethink globalization as a fracturing of the map into what scholars call the "archipelago economy of offshore," with territories engaged in perpetual competition for roving clients, savers, and investors.[33] In the wake of the blockbuster research of Thomas Piketty and Emmanuel Saez, and the jaw-dropping revelations of the Panama and Paradise Papers, we are beginning to learn more about one particular kind of zone, the tax haven.[34] But to see the zone as a device of "wealth hoarders" is both true and not enough.[35] We must appreciate how, for market radicals, the zone was not merely the means to an economic end but an inspiration for the reorganization of global politics as a whole.

The zone serves many functions for the capitalist right. The specter of the zone and the attendant threat of capital flight serve to blackmail

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out of existence the remains of the social state in Western Europe and North America. The zone also showcases a second belief central to the shared imagination of the contemporary political right: a belief that capitalism can exist without democracy. When Germany reunified, the political philosopher Raymond Plant observed that "in the light of the collapse of communism in Eastern Europe, some may think the relationship between capitalism and democracy is obvious. Yet this is far from the case, and some of those who have been in the intellectual forefront of the debate about free markets are now rather worried about the relationship between markets and democracy." He pointed out that "according to this argument, democracy as it has grown up in Western societies may be inimical to the growth and maintenance of markets."[36] To some, longtime colonial holdouts like Hong Kong, homelands in apartheid South Africa, and the authoritarian enclaves of the Arabian Peninsula offered evidence that political freedom may actually corrode economic freedom.

The idea of capitalism without democracy circulates more broadly than we might think. One of President Donald Trump's chief economic advisors and nominees to the Federal Reserve Board, Stephen Moore, a longtime fellow of the Heritage Foundation and mainstream right-wing intellectual, stated frankly: "Capitalism is a lot more important than democracy. I'm not even a big believer in democracy."[37] Far from an idle joke or a slip of the tongue, this is a well-formulated position that has quietly been on the advance for the last fifty years, shaping our laws, institutions, and the horizon of our political aspirations.

The shattering of the world map has not happened spontaneously. It has had its champions. This book is about those who came before and after Thiel, the people who have seen a crack-up coming and cheered it on. After the Cold War's end, they proposed something surprising: maybe capitalism had secretly lost. Maybe social democratic superstates were picking up where communist ones left off, as state spending was only continuing to grow. Maybe for the true victory of capitalism, it was necessary to go further. What if the end of history was not the checkerboard of two-hundred-plus nation-states

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existing under conditions of liberal democracy, but tens of thousands of jurisdictions of various political systems in constant competition? As one market radical put it, "What if the greatest political trend of the past two hundred years, namely the centralization of state power, reverses in the twenty-first century?"[38] What if society needed to be founded anew?

Beginning in the 1970s, the zone offered a sleek alternative to the messiness of mass democracy and the sprawl and bloat of unwieldy nation-states. Secessionism, not globalism, was the mantra of the thinkers at the core of this book. It follows this group of market radicals around the globe for half a century as they look for the ideal container for capitalism. The journey leads from Hong Kong to the London Docklands to the city-state of Singapore, from late apartheid South Africa to the neo-Confederate American South and the former frontier of the American West, from the war zones of the Horn of Africa to Dubai and the world's smallest islands, and finally to the virtual realm of the metaverse. The proponents of crack-up capitalism envisioned a new utopia: an agile, restlessly mobile fortress for capital, protected from the grasping hands of the populace seeking a more equitable present and future.

In his 2020 novel *Red Pill*, Hari Kunzru describes a man writing a manifesto in a hallucinatory state "about a system that would eventually find itself able to dispense with public politics altogether and put in its place the art of the deal: a black box, impossible to oversee, visible only to counterparties. There would be no checks and balances, no right of appeal against the decisions of the deal-makers, no 'rights' whatsoever, just the raw exercise of power."[39] This captures the world described in the pages of this book: a radical form of capitalism in a world without democracy.

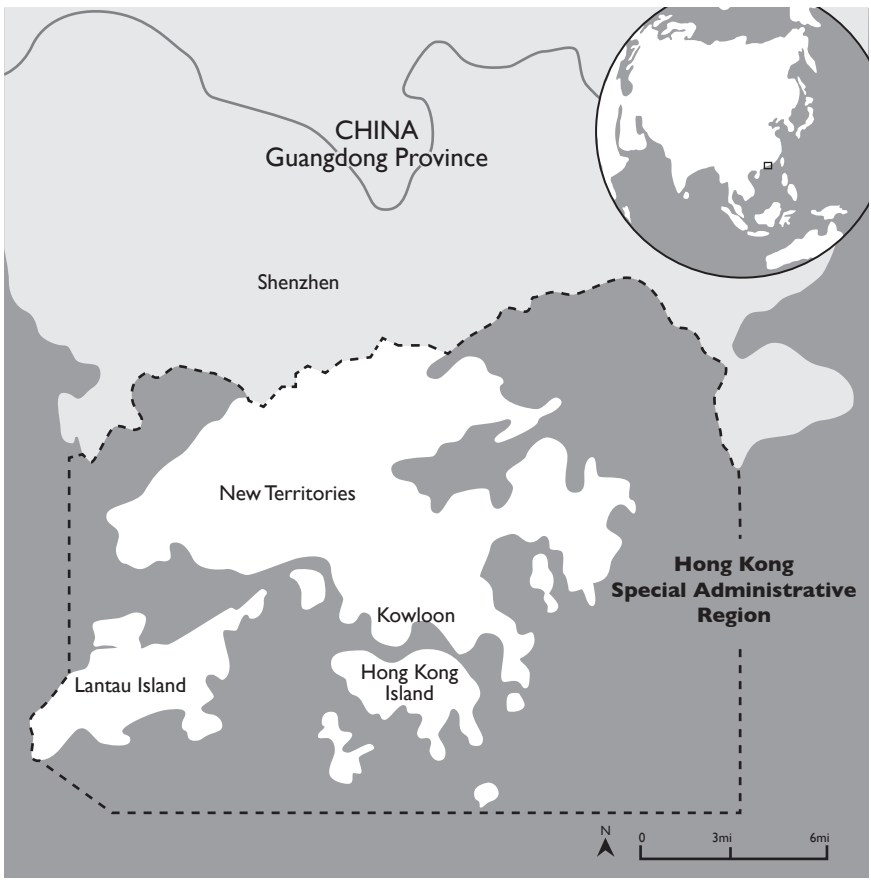
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PART I

ISLANDS

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Hong Kong

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1

Two, Three, Many Hong Kongs

When Peter Thiel spoke of a world of a thousand nations, it was not speculation—it was a business plan. He was presenting at an event for an institute he funded that had the goal of drastically increasing the number of the world's territories. Details came from the man who joined him at the lectern, a Google software engineer in his early thirties. "So, the future," he began, and riffed on his plans for turning political sovereignty into a for-profit enterprise.[1] Since time immemorial, he wrote elsewhere, there had been only one way to create a new nation: break up an existing one, subdivide the land, and rename it. It was a hard business to get into. You often needed to fight a war. But what if you could make a polity where none existed before?[2] What if unclaimed space was out there somewhere, waiting? His proposal: repurpose offshore oil rig technology and set up settlements beyond the jurisdiction of terrestrial states, homesteading the high seas.[3] Beyond the "exclusive economic zone" that stretches two hundred miles out from every country's shore, the open ocean was free for private exploitation and political experimentation. "Seasteads" would escape the taxing and regulating state, declare independence,

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and spark what he dubbed a "Cambrian Explosion in government."[4] In the jargon of Silicon Valley, these would be *start-up nations*.

The man onstage was Patri Friedman. He had a famous grandfather, perhaps the century's most notorious economist, both lionized and reviled for his role in offering intellectual scaffolding for ever more radical forms of capitalism and for his sideline in advising dictators: Milton Friedman. The two shared a basic lack of commitment to democracy. "Democracy is not the answer," Patri wrote, it is merely "the current industry standard."[5] His ideal communities would be modeled on corporations. "You just get more effective products from corporations competing with each other for customers than you get from democratic systems," he said.[6] In the fortieth-anniversary edition of his bestselling *Capitalism and Freedom*, published in 2002, Milton agreed. "While economic freedom is a necessary condition for civil and political freedom," he wrote, "political freedom, desirable though it may be, is not a necessary condition for economic and civil freedom."[7]

Milton cited his favorite example: Hong Kong. More than anything, Hong Kong had persuaded him that capitalist freedom could be secured without the ballot box. Standing onstage, Patri echoed his grandfather, saying that what he wanted to see was a "floating Hong Kong."[8] The header for his blog included a slogan adapted from Mao Zedong—"Let a Thousand Nations Bloom"—but the image was of Hong Kong, and the logo looked suspiciously like a sinuous version of the bauhinia flower on Hong Kong's flag.[9] What was it about the territory that made it the perfect template? To understand the Friedmans' enthusiasm, we must travel decades earlier to when Milton fell for his colonial capitalist paradise.

1.

In late 1978, inflation was high and rising in the United States. Britain was entering its own "winter of discontent," a record-breaking number of labor actions helping to spawn a backlash that culminated with union-buster Margaret Thatcher's rise to power. Unrest rumbled in

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Iran, where revolutionary leftist students joined with their no less revolutionary religious counterparts to overthrow the government, speaking in the name of God and the people with fists in the air. The three largest countries in South America languished under military rule. Vietnam invaded Cambodia, and China prepared to invade Vietnam. The world was in the grip of what a group of political scientists, including Samuel Huntington, described in an influential report as a "crisis of democracy." The authors wondered if the world had become "ungovernable," whether social life had become too complex and popular pressures too great for governments to adequately respond. They quoted the West German chancellor Willy Brandt's prediction that "Western Europe has only twenty or thirty more years of democracy left in it."[10] The cover of the report showed a national flag in a rifle's crosshairs.

Doom ruled the world, but the sun shone in Hong Kong. In late September 1978, Milton Friedman smiled as he gestured at the city spiked with white skyscrapers glittering in the South China Sea behind him. Here, he promised, was a solution to the crisis, a place far from the paroxysms of popular sovereignty. Perhaps this place, he suggested, might be the desirable end state for global capitalism. Perhaps the ideas of national self-determination; one man, one vote; and the power of the people were so many detours, cloverleafing roads to serfdom, and this impeccable vessel for commerce and finance—armored against the demands of the population but nimbly responsive to the demands of the market, a capitalist juggernaut at full throttle—was the future. What if we needed to short-circuit the chaos of democracy to ensure the success of the market? What if the flag in the crosshairs actually had to be shot to make the world governable again? What if the era when the nation-state dominated political aspirations, from the end of the First World War to the 1970s, was no more than a blip? "I believe a relatively free economy is a necessary condition for a democratic society," Friedman would say in an interview in 1988. "But I also believe there is evidence that a democratic society, once established, destroys a free economy."[11]

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Hong Kong's origins tell a story about how Friedman's ideal state was created—at the barrel of a gun. The British claimed Hong Kong Island in perpetuity as the spoils of the First Opium War with the Treaty of Nanking in 1842. Blessed with a deep and wide harbor protected from typhoons by a mountain left over from a Mesozoic supervolcanic explosion, its city was named Victoria after the monarch and turned into an entrepôt free of customs duties with the economy driven by the drug trade—the through traffic of opium grown and processed in India and shipped on to Chinese consumers.

The British hoped that trade would unite the Chinese "in amicable intercourse" with "the more active and enterprising inhabitants of what we are accustomed to call the civilized world" (meaning themselves), but the intercourse was less than amicable and they were less than civilized.[12] Britain and France instigated the Second Opium War, which led to the British acquisition of Kowloon, across the harbor, in 1860. In 1898, the Japanese defeated China and took Taiwan as their booty. Smelling weakness, other European powers began a "scramble for concessions," turning the Chinese coast into a Swiss cheese of more than eighty treaty ports, concessions, and international settlements.[13]

Ceded to foreign powers on leases ranging from a quarter century to perpetuity, the coastal concessions were both of China and outside of it—states of exception, or zones. The foreigners inhabiting the zones were extraterritorial. Even on Chinese land, they were governed by their own laws, and their crimes were tried by their own courts.[14] Hong Kong itself was a mixed entity. While the island and Kowloon were possessions of the British, the agricultural hinterland of the New Territories was leased to Britain for ninety-nine years in 1898, expanding the colonial footprint tenfold. The broader Chinese economy was also forced open by law. While its sovereignty was left formally intact, treaties bound the government to a low tariff policy. The "most-favored-nation" principle meant that the privileges granted one power, say the United States, were immediately granted to the Russians, the Germans, the French, and so on.

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These laws were remembered as the "unequal treaties"—the core of China's "century of humiliation." A leading Chinese diplomat referred to them in 1912 as secured "with the aid of the sword."[15] Less often observed is how the combination of violence, territory, and law helped set the template for the economic globalization in the century that would follow. Zones created patchworks of semi-sovereignty: container ports and military bases were ceded on long-term leases; trade organizations like the WTO worked on the most-favored-nation principle; and treaties allowed foreign investors to be governed by their own courts. Far from the relic of a sepia-tinted past, the constellation of enclaves was a preview of the future.

Hong Kong thrived in the new legal landscape. Beginning as a trading port, it accelerated into manufacturing for global markets after the 1949 victory of the Communist Red Army drove people into the city, to be funneled into the small workshops and factories popping up everywhere. Around one million refugees and migrants—more than the colony's total population when the British retook it from the Japanese in 1945—brought labor and capital, especially from the commercial center of Shanghai. Hong Kong's population quadrupled from 1945 to 1956.[16] Its factories were small, informally organized, and responsive to changes in consumer demand. Workshops would pop up and close down as needed with many located in six-story "flatted factories" built by the government to boost trade.[17] Hong Kong focused on the downstream end of the value chain, making cheap goods for export—consumer products for the postwar baby boom, from textiles and clothing to plastic flowers, dolls, and packaged foods.[18] By 1972, the colony was the world's biggest exporter of toys.[19] By the late 1970s, it was the world's top exporter of clothing.[20] A territory of less than five hundred square miles, it was the twentieth-largest global exporter, with its economy growing at 10 percent a year.[21] It had also gone from a manufacturing center to rapidly become the financial center of Asia.[22] The number of banks more than doubled in the 1970s and their assets grew by six times.[23]

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This was the moment when Friedman touched down in Hong Kong.

Funded by conservative donors, including the Getty Oil company and the Sarah Scaife Foundation, he was there to film the first episode of what would be his wildly popular PBS series *Free to Choose*.[24] In his midsixties, Friedman was nearing the end of his academic career and reaching the height of his fame. His regular *Newsweek* column was already read in the homes of millions of Americans, and his star rose further when he won the Nobel Memorial Prize in Economics in 1976. The series would broadcast into homes all over the United States and eventually in Britain, accompanied by a book version, which spent an astounding fifty-one weeks on the *New York Times* bestseller list as the top-selling nonfiction book of 1980. For $4,800 (around $17,000 in today's money), you could enjoy videotapes of the man whom *Time* called Uncle Miltie at home or in the classroom.[25] "By now," one journalist wrote, "the cherubic countenance and gnome-like figure of economist Milton Friedman are standard features on the American intellectual landscape."[26]

In Friedman's Hong Kong scenes on-screen, the impish economist ambled past vegetable stalls and fishmongers, and the camera grazed over curbside tinkers and back-alley ivory ateliers. Transitioning from footage of New York's Chinatown, Friedman praised the sweatshop, reminiscing about his own mother's previous work under similar conditions. The libertarian magazine *Reason* celebrated the hire-and-fire model in Hong Kong: small factories would take on employees for a job as short as a month and terminate them thereafter.[27] In what one journalist called "Milton Friedman's dream world," "labor is obliged to go wherever capital directs it, for whatever it chooses to pay."[28] Friedman himself dubbed Hong Kong "an almost laboratory experiment in what happens when government is limited to its proper function": people know that when people fail, "they bear the cost."[29]

The episode was titled "The Power of the Market," but it was really about finding shackles for the state. How could one prevent governments from expanding welfare programs, extending social entitlements, and spending more on new areas like environmental protection, health care, public education, and energy conservation? It

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was these many demands, among others, that Friedman held responsible for the spike of inflation and unemployment in the 1970s. He saw Hong Kong as a breath of fresh air in a decade dragged to ruin by the demands of popular sovereignty in both the Global North and the Global South. People's choice to divorce, have children out of wedlock, or loll around on university campuses studying Herbert Marcuse and Karl Marx had strained government budgets.[30] There was no such mollycoddling in Hong Kong.

What made such discipline possible was first and foremost the absence of democracy. No labor unions or popular elections meant no leverage for workers or citizens. Hong Kong's financial secretary was more important than its colonial governor.[31] The British colony was run more like a "joint stock corporation" than a nation, as an admirer put it.[32] One of Friedman's colleagues at the conservative Hoover Institution, Alvin Rabushka, praised Hong Kong as an "approximation to the textbook model" of neoclassical economics "made possible by the absence of an electorate."[33] Policymakers were "free from the ever-present electoral pressures that prevail in economic decision-making in most democratic polities."[34] Rabushka celebrated Hong Kong's model of "administrative absolutism" and the "no-party administrative state."[35] It was the very "absence of politics," he wrote, that allowed for "economic freedom."[36] The result? Not always a comfortable or secure life but rather one where "working people here in Hong Kong accept the verdict of market forces."[37] Rabushka also noted that the free enterprise system depended upon "the fact of continued colonial status."[38] Hong Kong had been permitted by London to set its own trade and taxation policy since the late 1950s.[39] This decoupled it from the construction of the welfare state in postwar Britain while the disenfranchisement of the local population as subjects rather than citizens prevented disruptive moves to self-determination. The colonial governor kept taxes low and tariffs nonexistent. In 1978, the top rate of income tax in the UK was 83 percent and in the United States it was 70 percent. Meanwhile Hong Kong had no taxes on capital gains or inheritance and a flat income tax of 15 percent. The secret to making

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Hong Kong "the last truly capitalist place on earth," as the director of the Hong Kong Chamber of Commerce called it, was that it succumbed to neither the siren song of decolonization nor democracy.[40]

Friedman filmed the scenes for *Free to Choose* while he was in Hong Kong for another occasion: the biennial general meeting of the Mont Pelerin Society. Founded by the Austrian-British economist Friedrich Hayek in 1947 to defend against the threat of creeping socialism and the welfare state, the MPS was a private club of intellectuals, politicians, think tankers, and journalists. (Friedman himself was a founding member and the society's president in the early 1970s.) Its members called themselves *neoliberals* into the 1950s.[41] Although the term has many definitions, this book uses *neoliberal* as a helpful shorthand for those associated with the MPS and its affiliated think tanks.

Within the neoliberal group, there were thinkers of different shades but they were united by the belief that capitalism had to be protected from democracy in the age of mass democracy. There were a few main groups of thinkers. Those that concern us most in this book would recognize themselves in the term *libertarian*. Although libertarianism contains many schools and tendencies, they are united by the belief that the state's role is to protect the market, not to own property, manage resources, direct companies, or deliver services like health care, housing, utilities, or infrastructure. Maintenance of inner and outer security, the protection of private property, and the sanctity of contract: these should be the main role of the government. The main difference, as we will see, is between those who believe in a minimal state (sometimes called minarchists) and those who believe in no state at all (known as anarcho-capitalists).[42]

It must have been easy to fall in love with Hong Kong when the society met there in 1978. The weather was balmy and the sky was not yet clouded by the haze from the coal furnaces of Shenzhen that would later become the norm. MPS conference attendees were housed at two of the city's most luxurious hotels, the Excelsior and the Mandarin.[43] A striking hexagon of over forty stories of beveled windows,

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the Excelsior was built on "Lot Number One"—the first plot of land auctioned off after the British took possession of the island. The Mandarin, meanwhile, was the city's first five-star hotel and the first in Asia to have bathtubs and direct-dial telephones in every room.[44] It was so iconic as a destination for the jet set that a journalist quipped later that you could "write an insider's London political column" from the lobby.[45]

Both hotels were owned by the British firm Jardine Matheson, also known as Jardines. One of the original Hong Kong merchant houses, it had made its start selling opium to the Chinese in the 1830s. Later it pivoted into retail, shipping, and hospitality, getting into China early (with joint ventures there in 1979) and getting out early too—switching its base of operations to Bermuda, where the tax rate hovered at an attractive zero percent.[46] A couple of years after the Mont Pelerin meeting, Jardines would become widely known under the alias Noble House, the company at the center of James Clavell's 1,200-page eponymous novel—a "four-pound love letter to Hong Kong"—which sold half a million hardcover copies in 1981 and sat atop the *New York Times* bestseller list for months. "Overcrowded, with everyone except the very rich living cheek by jowl, Hong Kong is a metaphor for the modern world," wrote one reviewer.[47] *National Review* declared the book an "*Atlas Shrugged* of the Eighties" and praised its glorification of capitalist competition and individualism.[48] Clavell would have been pleased—he sent a copy with a warm dedication to Ayn Rand, "the goddess of the market" herself.[49] NBC broadcast an adaptation of *Noble House* across four nights during sweeps week of 1988, starring Pierce Brosnan as a "supreme leader," or *taipan*, glowering at his corporate rivals from the penthouse of Jardine House. *Town & Country* called Hong Kong "this moment's most dazzling boom town."[50]

Visitors had a memorable arrival at Kai Tak Airport, a strip of reclaimed land that jutted out from the densely populated Kowloon Peninsula—the Brooklyn to Hong Kong Island's Manhattan. As their stomachs dropped on descent, passengers could peer into the windows

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of the multistory collections of flats and workshops that housed the city's ballooning population. Dealing with the influx of newcomers into squatter encampments (and placating social demands after violent protests in 1967) drove the government into the public housing business along with the public education and basic health service it already provided; state expenditure grew by half from 1970 to 1972.[51] By 1973, almost a third of Hong Kong's 4.2 million residents lived in government housing.[52] This was one of the many ways Hong Kong was in fact far less than a pure model of libertarianism. The syndicated columnist John Chamberlain wrote from Hong Kong in 1978 that "some of the Mont Pelerin purists were distressed to learn from a paper presented at their meeting that Hong Kong has rent control and a fair amount of government housing."[53]

Of greater concern, however, was Hong Kong's uncertain future. The ninety-nine-year lease on the New Territories was set to run out in 1997, less than twenty years from when the Mont Pelerinians met. Its status as a colony was becoming more of an anomaly from year to year. Over the previous century, Britain had devolved control to its overseas territories, starting with the "white dominions," such as Canada, Australia, and New Zealand. In India, the empire's crown jewel, many internal affairs were conducted by an elected national government by the 1920s. In 1947, India was let go altogether, followed by other countries in Asia and Africa. The number of new sovereign states swelled in the middle decades of the twentieth century. Most of Britain's Caribbean and African colonies gained their independence by the mid-1960s. By the late 1970s, Hong Kong had gone from being one star of many in the firmament of overseas European empires to one of the last lonely satellites in an era of postcolonial nationalism. Hong Kong was, as a common phrase went, "living on borrowed time in a borrowed place."[54]

The neoliberals were anxious. Would the heirs of Mao Zedong kill the goose that laid the golden eggs? China previewed its intentions already in 1971, when it had the United Nations remove Hong Kong

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