

Mont Pelerin Society General Meeting Speech: We Are Not on the Winning Side by Václav Klaus

✖ I already had a chance to say earlier this week how pleased I am and we all are to host the Mont Pelerin Society General Meeting here in Prague. I hope you have been enjoying your stay.

More than 20 years ago, two years after the fall of communism in this country and this part of the world, we had here the MPS Regional Meeting, in which some of you participated. At that time, we were in the crucial moments of our radical transition from communism to free society which was in many respects based on the ideas connected with the Mont Pelerin Society. This meeting gave us important moral support and helped us in our efforts to get rid of the past and to build a free society in a MPS sense.

Since then, we have succeeded in changing the country substantially in this direction. As you may see, the Czech Republic has made a visible step forward. Yet, it would be inappropriate to declare victory.

For someone like me, who after the fall of communism actively participated in preparing and organizing radical political and economic changes, the world we live in now is a disappointment. We live in a far more socialist and etatist society than we had then imagined. After the promising beginning, we are in number of respects returning back to the era we used to live in in the past and which we had considered gone once and for all. Let me stress that I do not have in mind this country only but Europe and the whole Western world.

Twenty years ago, it seemed to us that right in front of our eyes a far-reaching shift was taking place on the “oppression vs. freedom” and the “state vs. market” axis. It was a justified feeling. It was reinforced by the fact that our Velvet Revolution had taken place at a time of the historically unique era of Ronald Reagan and Margaret Thatcher. Thanks to them and in the world of ideas thanks to Hayek, Friedman, Stigler and a few others, we believed that capitalism, at least for a certain period of time, succeeded in defending itself against global socialism. People like me knew that these individuals were exceptional and unique, but we did not expect that what they achieved would be so quickly forgotten. We erroneously hoped that the changes that had been taking place at that time were irreversible.

Today, many of us no longer have this feeling; at least I certainly do not. Once again, almost invisibly and in silence, capitalism and freedom have been weakened. My friend Pascal Salin, a former MPS President, must have had a similar feeling when he in his presidential address in 1996 in Vienna made the following remark: “We are not the winners of the present time”. In 1996, the fact that we were losing did not seem as obvious to me, as it does today. The system of political freedom and parliamentary democracy was established quickly, thus replacing the former authoritarian, if not totalitarian political regime; the market and private ownership instead of planning started to dominate the economy and overall liberalization, deregulation and de-subsidization took place. The state radically receded in all its roles and the free individual got to the forefront.

Our optimism was based on the strong belief in the power of principles of free society, of free markets, of the ideas of freedom as well as in our ability to promote these ideas. Today, at the beginning of the second decade of the 21st century, our feeling is different. We ask ourselves: Did we

have unreasonable and unjustified illusions? Did we perceive the world in a wrong way? Were we naive and foolish? Were our expectations mistaken?

These questions deserve serious answers. We could, and may have been wrong, there is no doubt about it, but it was not because we were under any illusions about the West, in particular about Western Europe, about the EU. People like me were not misled by any illusions about a possible convergence of capitalism and socialism, very popular in the West starting in the early 1960s, or by dreams about possible third ways. We rejected those without any hesitation.[1]

We saw a number of things already then, and thanks to our life in communism, we saw them more clearly than some of our friends in the West including those sharing the same political and ideological ideas. Let me start by indicating what we were aware of and afraid of as regards the future already in the communist era.

1. We knew that socialism, or socialdemocratism, or “soziale Marktwirtschaft” is here, is here to stay and – due to its internal dynamics – will expand.

2. From the turn of the 1960s and 1970s, that is from the establishment of the Club of Rome and its first reports, I became afraid of the green ideology, in which I saw a dangerous alternative to the traditional socialist doctrine. It was evident that it was another radical attempt to change human society. The alleged depletion of natural resources and the so called population bomb were merely a pretence. At that time it was not possible to see the Global Warming Doctrine that arrived later, nor the power and dangers hidden inside it.[2]

3. Even during our life under communism, people like me were aware of the leftism of intellectuals[3] since we had the

chance to see for ourselves that it was the intellectuals or their vast majority who served as the main driving force behind communism and doctrines close to it. Authentic representatives of the working class, that is Marx's proletariat, have never been true believers in communism. Already at that time, I followed with great concern the "excessive production of under-educated intellectuals" that emerged in the West as a result of the rising university education for all. One of its implications was and is the superficiality of public discourse that has reached extraordinary dimensions.

Intellectuals are to a great extent socialists because – as Hayek put it – they are convinced that socialism is a "science applied to all fields of human activity" and thanks to that, it is a system created "exactly for them." "Intellectuals feel they are the most valuable people"[4] and that is why they do not want to be evaluated by the market, since the market often does not share their high self-evaluation.

4. Socialism (or rather communism, as we say today) has from its very beginning been based on an apotheosis of science and on a firmly rooted hope that science shall solve all existing human and social problems; that is why it is not necessary to change the system. It suffices to make it slightly more enlightened. Our communist experience tells us that this idea is absurd. It did seem to us back then that the West believed in the same fallacy.

We did not believe in the technocratic thinking, in the belief in the rightfulness of science and technology to organize human society. I was not able to appreciate Herman Kahn, Jay W. Forrester, Alvin Toffler (and recently also Max Singer and his book "History of the Future"[5]) because I felt the risk that stems from underestimating social or systemic characteristics of human society by those people and from their unjustified technological optimism, which actually did not differ much from the Marxist doctrine. In this context, I

have always had Aldous Huxley and his unsurpassed “Brave New World” as a warning memento in front of my eyes.

We learned a lot from Hayek’s seminal article “The Use of Knowledge in Society”.[6] Whilst socialist ideologues (in the East and also in the West) regarded nothing else but science and other organized and organisable learning as knowledge, we – in line with Hayek – understood that the most important knowledge was practical knowledge dispersed within society that people use in their everyday life, and not just write books about. The nowadays so fashionable notion of the “knowledge economy” is empty. Each and every economy in the past has been based on knowledge, what mattered was how the people managed to use it.

These were the main problems I was aware of, but there are issues – as we see them now – that we underestimated or did not see. I will name some of them.

1. We probably did not fully understand the far-reaching implications of the 1960s. This “romantic” era was a period of radical denial of the authority of traditional values and social institutions. As a result, generations were born that do not understand the meaning of our civilisational, cultural and ethical heritage, and are deprived of having any compass guiding their behaviour.

2. We underestimated certain problematic aspects of a standard, formally well– functioning democratic system that lacked an underlying set of deeper values. We did not see the power of the demagogical element of democracy that allows people within this system to demand “something for nothing”. We did not expect that the political process will lead to such a preference of decision-making that brings “visible and concentrated benefits” at the price of “invisible and dispersed costs”, which is one of the main reasons for the current Euro-American debt crisis.

3. Already in the past, I feared the gradual shifting away from civil rights to human rights, which has been taking place for quite some time. I feared the ideology of human-rightism, but did not anticipate the consequences of this doctrine. Human-rightism is an ideology that has nothing in common with practical issues of the individual freedom and of free political discourse. It is about entitlements. Classical liberals and libertarians do not emphasize enough that the rights interpreted in this way are against freedom and the rational functioning of society.

Human rights are in fact a revolutionary denial of civil rights. They do not need any citizenship. That is also why human-rightism calls for the destruction of the sovereignty of individual countries, particularly in today's Europe. Positive human rights also contributed heavily to the present era of political correctness with all its destructive force.[7]

4. Related to human-rightism and political correctness is the massive advancement of another contemporary alternative or substitute for democracy, juristocracy. Every day we witness political power being taken away from elected politicians and shifted to unelected judges.[8] "Modern judicial activism is in many ways an expression of the old belief that democracy must be tempered by aristocracy" (p. 17), in other words that democracy without a certain "chosenness" (i.e. unelectedness) of this judicial aristocracy cannot function well. It is also worthwhile to realise that "the main method how this judicial activism is implemented is the path of rights" (ibid.), yet it is not the path of civil rights, but rather human rights. All that is a part of an illusion about potential (and desirable) abolition of politics, in other words of democracy. Juristocracy is another step towards the establishment of a post- political society.

5. Likewise, I did not expect the powerful position that NGOs (that is civil society institutions) would gain in our countries and in particular in the supranational world, and

how irreconcilable their fight with parliamentary democracy would be. It is a fight that they are winning more and more as time goes by.[9] Institutions such as NGOs, which are the products of organised groups of people who in an apolitical manner strive for advantages and privileges, bluntly deny the liberalisation of human society that had taken place over the past two centuries. I do not recall where I first came across the statement that those institutions represent a new re-feudalisation of society, but I consider it to be a very good one.

6. We lived in a world of suppressed freedom of the press for too long, and that is why we considered the unlimited freedom of the media as the necessary prerequisite for a truly free society. Nowadays we are not sure about it. Formally, in the Czech Republic as well as in the whole Western world there is almost absolute freedom of the press, but at the same time an unbelievable manipulation by the press. Our democracy quickly changed into mediocracy, which is yet another alternative to democracy, or rather one of the ways to destroy democracy.[10]

7. In a closed communist world, in which we opposed, due to the tragic experience with the imperial policy of the Soviet Union, everything supranational, i.e. coming from Moscow, we failed to see the danger of the gradually ongoing shift from national and international to transnational and supranational in the current world.[11] In those days we did not follow European integration very closely, perhaps for understandable reasons. We tended to see only its liberalising aspect rather than the dangerous supranationalism that destroys the democracy and sovereignty of countries.

8. I also did not expect such a weak defence of the ideas of capitalism, free market and minimal state. I did not imagine that capitalism and the market would become almost inappropriate, politically incorrect words that a "decent" contemporary politician should better avoid. I had thought that something like that was only some kind of a compulsory

coloratura of the Marxist or communist doctrine. Only now do I see the real depth of hatred towards wealth and productive work, only now do I realise the role of human envy and of a completely primitive thought that other person's wealth is solely and purely at my expense.

9. I did not expect such popularity of public goods, of the public sector, of the visible hand of the state, of redistribution, of wisdom of the anointed in comparison with the wisdom of the rest of us. As an economist who has for decades, in fact from the mid-1960s, carefully followed Western economic literature, I did not expect that the ideas of monetarism would be so quickly abandoned, that people would so quickly forget that the word regulation is yet another expression for planning, that social policy would not differ much from communism, that people would forget that the market either is or is not, since it has to be formed spontaneously, that after a radical removal of grants and subsidies of all kinds we will be – by means of a new re-subsidisation of the economy – once again forced to introduce them, that such mistakes would be made in the economic policy, in the establishment of monetary unions, etc. We did not expect that people would be so unwilling to take on the responsibility for their lives, that there would be such fear of freedom, and that there would be such trust in the omnipotence of the state.

Why have we as MPS members allowed this to happen?

I do not think that we failed analytically. There are other reasons. There is certain recklessness, if not laziness in our thinking and behavior. There is insufficient personal courage involved, fear of standing alone with one's opinions. Even we have failed in the sense that we are not being heard loud enough, that we no longer actively promote freedom, that we no longer have any Milton Friedmans among us. Even though it is important that we address one another at meetings such as this one, I fear that we are not being heard outside of this

circle. We are pleased that we publish one another's articles in our own journals and newsletters, but we have to strive to enter the "other" journals – journals for "the others". Even though ideas promote themselves, they do so only in the very long run, and that may already be too late.

Likewise, we have to concede that we are not producing serious empirical, descriptive, positive socio-economic analyses. What prevails are pieces of partial analyses and shallow normative ideological papers. What is missing are non-declaratory texts, a deep "anatomy" of the current situation.

I would be glad if I were wrong. I would be glad if it showed up that the robustness of capitalism was such that all that would be corrected. Even though it will eventually happen, it will certainly not happen spontaneously. Hayek rightly argued that "freedom cannot endure unless every generation restates and reemphasizes its value". Now it is our turn. Our generation and the generation of our children have to do it. And we should start doing it before it is too late.

Václav Klaus, Mont Pelerin Society General Meeting, Prague Castle, Prague, September 7,
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[1] More about this topic can be found in my address at the MPS Regional Meeting in Vancouver in August 1999 "The Third Way and Its Fatal Conceits", published in a book "On the Road to Democracy", NCPA, Dallas, 2005. Even today in various countries around the globe, I am constantly confronted with people recalling my statement from January 1990 made in Davos that "the Third Way is the fastest way to the Third World".

[2] I refer to my book "Modrá, nikoli zelená planeta" ("Blue Planet in Green Shackles"), Dokořán, Prague, 2007 and its publications abroad (it is already available in 18 languages).

[3] Friedrich von Hayek: "The Intellectuals and Socialism", The University of Chicago Law Review, Spring 1949. Available

at <http://mises.org/etexts/hayekintellectuals.pdf>.

[4] Robert Nozick, "Why Do Intellectuals Oppose Capitalism",
CATO Policy
Report, Washington, D.C., No. 1, 1998.