

WE ARE NOT ON THE WINNING SIDE

Václav Klaus catalogues those forces that are preventing the creation of a free society

More than 20 years ago, two years after the fall of communism in this country and indeed in this part of the world, we had held the MPS Regional Meeting in Prague in 1991. At that time, we were in the crucial moments of our radical transition from communism to a free society, a transition that was in many respects based on the ideas connected with the Mont Pelerin Society. The 1991 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 an MPS sense.

Since then, we have succeeded in changing the country substantially in this direction. But although the Czech Republic has taken a visible step forward, it would be inappropriate to declare victory.

For someone like me, who after the fall of communism actively participated in preparing and organising radical political and economic changes, the world we are living in now is a disappointment. We are living in a far more socialist and etatist society than we had then imagined. After a promising beginning, we are in many ways returning to the era we used to live in and which we had thought was gone once and for all. Let me stress that I have in mind not only the Czech Republic but also Europe and the whole Western world.

Twenty years ago, it seemed that a far-reaching shift was taking place on the 'oppression versus freedom' and the 'state versus market' axis right in front of our eyes. It was a justified feeling—and reinforced by the Velvet Revolution taking place at a time of the historically significant era of Ronald Reagan and Margaret Thatcher. Thanks to them—and thanks to Hayek, Friedman, Stigler and other leaders in the world of ideas—we

classical liberals believed that capitalism, at least for some time, had succeeded in defending itself against global socialism. People like me knew that these individuals were exceptional, but we did not expect their achievements would be so quickly forgotten. We had erroneously hoped that these changes 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 said in his presidential address in Vienna in 1996: '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; instead of planning, the market and private ownership had started to dominate the economy; and overall liberalisation, deregulation and de-subsidisation were taking 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 the principles of free society, of free markets, and 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 twenty-first century, our feeling is different. We ask ourselves: Did we have unreasonable and unjustified illusions? Did we perceive the world

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in a wrong way? Were we naive and foolish? Were our expectations mistaken?

These questions deserve serious answers. There is no doubt many of our answers may have been wrong, but it was not because we were under any illusions about the West, particularly about Western Europe or the European Union. People like me were not misled by any illusions about a possible convergence of capitalism and socialism, which had been very popular in the West since the early 1960s, or by dreams about possible third ways. We rejected those without any hesitation.¹

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We saw a number of things already then, and thanks to our life under communism, we saw them more clearly than some of our friends in the West, including those sharing the same political and ideological ideas. Here are some of the things we were aware of, and afraid of, regarding the future:

1. **Social democracy:** Socialism (social democratism, or *soziale marktwirtschaft*) was here to stay and expand because of its internal dynamics.
2. **The green ideology:** Since the 1960s and 1970s, when the Club of Rome and its first reports began, I became afraid of the green ideology, in which I saw a dangerous alternative to the traditional socialist doctrine. 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. **The intellectual left:** Even during our life under communism, people like me were aware of the leftism of intellectuals,³ having seen for ourselves that the vast majority of intellectuals were the driving force behind communism and associated doctrines.

Authentic representatives of the working class (or Marx’s proletariat), have never been true believers in communism. Already at that time, I followed with great concern the ‘excessive production of undereducated intellectuals’ that emerged in the West as a result of the rising university education for all. One of its implications 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’; thanks to that, it is a system created ‘exactly for them.’ ‘Intellectuals feel they are the most valuable people’⁴ and do not want to be evaluated by the market because the market often does not share their high self-evaluation.

4. **Science and socialism:** 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, which is why it is not necessary to change the system. But this theorising only serves to make socialism only 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 or in the rightfulness of science and technology to organise human society. I was not able to appreciate Herman Kahn, Jay W. Forrester, or Alvin Toffler (and recently 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 Although socialist ideologues (in the East and also in the West) regarded nothing else but science and other

organised and organisable learning as knowledge, we—in line with Hayek—understood that the most important knowledge was practical knowledge dispersed within society and which people use in their everyday life and not just write books about. The current fashionable notion of the ‘knowledge economy’ is empty. Each and every economy in the past has been based on knowledge; what mattered was how 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 at all.

1. **The 1960s:** 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, the generations born since do not understand the meaning of our civilisational, cultural and ethical heritage, and are deprived of having any moral compass guiding their behaviour.
2. **Demagogy and democracy:** 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 would lead to such a preference for the kind 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. **Human-rightism:** 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 individual freedom and free political discourse. It is about entitlements. Classical liberals and libertarians do not emphasise 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 current era of political correctness with all its destructive force.⁷

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4. **Juristocracy:** 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.’⁹ In other words, democracy without a certain ‘chosenness’ (i.e. unelectedness) of this judicial aristocracy cannot function well. ‘The main method how this judicial activism is implemented is the path of rights,’ yet it is not the path of civil rights but rather human rights.¹⁰ All that is a part of an illusion about potential (and desirable) abolition of politics, or in other words, of democracy. Juristocracy is another step towards establishing a post-political society.
5. **Institutions of civil society:** Likewise, I did not expect the powerful position that NGOs (civil society institutions) would gain in our countries (particularly 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.¹¹ Institutions such as NGOs, which are the products of organised groups of people striving for advantages and

privileges in an apolitical manner, bluntly deny the liberalisation of human society that has taken place over the past two centuries. I do not recall where I first came across the statement that those institutions represent a re-feudalisation of society, but I consider it a very good one.

6. **Mediocracy:** We in the Czech Republic had lived for so long in a world of suppressed freedom of the press that we considered the unlimited freedom of the media as a prerequisite for a truly free society. Nowadays we are not so 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 there exists 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.¹²

We have failed in the sense that we are not being heard loudly enough, that we no longer actively promote freedom, that we no longer have any Milton Friedmans among us.

7. **Transnationalism and supranationalism:** 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.¹³ 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. **Defending liberal ideals:** 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 free

market would become almost inappropriate, politically incorrect words that a 'decent' contemporary politician should better avoid. I had thought 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 another person's wealth is gained solely and purely at *my* expense.

9. **Visible hand of the state:** I did not expect such popularity of public goods, of the public sector, of the visible hand of the state, of redistribution, and of the wisdom of the anointed compared 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; and that such mistakes would be made in 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 and a greater fear of standing alone with one's opinions. We have failed in the sense that we are not being heard loudly 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, I fear we are not being heard outside 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 and positive socio-economic analyses. What prevails are 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 the robustness of capitalism would correct everything. Even though it will eventually happen, it will certainly not happen spontaneously. Hayek rightly argued that 'freedom cannot endure unless every generation restates and reemphasises 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.

Endnotes

- 1 More about this topic can be found in my address, 'The Third Way and Its Fatal Conceits,' to the MPS Regional Meeting in Vancouver in August 1999. The speech was later published in the book *On the Road to Democracy* (Dallas: NCPA, 2005). Even today in various countries around the globe, I am constantly confronted with people recalling my statement from January 1990 made in Davos: 'The Third Way is the fastest way to the Third World.'
- 2 Václav Klaus, *Modrá, Nikoli Zelená Planeta* (Blue Planet in Green Shackles) (Prague: Dokořán, 2007) and its foreign editions (it is available in 18 languages).
- 3 Friedrich von Hayek, 'The Intellectuals and Socialism,' *The University of Chicago Law Review* (Spring 1949).
- 4 Robert Nozick, 'Why Do Intellectuals Oppose Capitalism,' Policy Report 1 (Washington, DC: CATO, 1998).
- 5 Max Singer, 'History of the Future' (New York: Lexington Books, 2011).
- 6 Friedrich A. Hayek, 'The Use of Knowledge in Society,' *American Economic Review* 4 (September 1945).
- 7 The Centre for Independent Studies in Australia recently published a collection of essays titled *You Can't Say That*, Occasional Paper 124 (Sydney: CIS, 2012) about political correctness. We are at a strange crossroads of the history of Western civilisation. Nowhere before has there been greater freedom of movement, greater freedom of information, greater general prosperity, yet at the same time greater restriction of the freedom of speech ... Western society self-censors its exchange of opinions ... Political correctness efficiently endangers the very foundations of free society—an open and broad-branched debate in the form of free exchange of opinions (p. 1). The result is that 'politicians for tactical reasons withdraw from serious debates' and that 'the mechanism of political correctness prevents the formulation of non-conformist opinions' (p. 10). Political correctness is based on 'intolerant moralising' (p. 21) and is made possible by our weakness, disintegration of our traditional values, and their insufficient defence.
- 8 James Grant presents a very convincing analysis of the above phenomenon in his paper, 'The Rise of Juristocracy,' *The Wilson Quarterly* (Spring 2010).
- 9 As above, 17.
- 10 As above.
- 11 The annual UN General Assembly Meeting opens each September with an address by its Secretary-General. Instead of giving the floor to national leaders from around the globe, the Secretary-General invites to speak representatives of illegitimate (i.e. arbitrarily selected) NGOs on UN grounds (which is the largest global NGO) and who are considered better and nobler than politicians.
- 12 In his widely discussed Harvard address in 1978, Alexander Solzhenitsyn noted: 'The press has become the greatest power within the Western countries, exceeding that of legislation, the executive and the judiciary.' This may have been one of the reasons why Solzhenitsyn was never praised for this address in the West, in particular, by the media and by the academic world. It was regarded as criticism of the West and this is something that no one from the East could dare. However, it was a criticism of the negative aspects of Western civilisation.
- 13 More about that in John Fonte, *Sovereignty or Submission* (New York: Encounter Books, 2011) and Václav Klaus, *Europe: The Shattering of Illusions* (London: Bloomsbury, 2012).