

From the Bosom of Communism to the Central Control of EU Planners

How to spoil the opportunity for European unity and prosperity: The Case of Czech Republic

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European integration has been a major economic and political topic since the end of World War II and a special new dimension was added to this process by the breakdown of communism in Eastern and Central Europe. The idea of having a united Europe with no artificial state frontiers where European peoples would live peaceful and happy lives is a very attractive one. The “only” problem is that this great and noble idea is not being transformed into the process we can witness in our day-to-day experience. These two views on Europe (an ideal of united Europe and political unification of Europe) are the exact opposites of each other. There again, the very important distinction between the notion of the state on the one hand and the notion of the society on the other can shed light upon the problem at stake.¹ Indeed, *European society* would be greatly strengthened by removing barriers to trade, capital flows, tourism etc. The quality of life of European people would be of course dramatically improved if entrepreneurs were allowed to operate in larger markets covering the whole continent (and even much more so, if they were not limited by the frontiers of the continent!). Less artificial barriers would mean that natural obstacles can be overcome more easily. And overcoming more obstacles means solving the basic economic problem - problem of scarcity - in a better way. This also means gaining more power over nature and furthering human progress: the process of civilization.

Current European development can, in contrast, be described as an orchestrated political attempt to establish a *European State*. And the dreamt-of European state is to be based upon the same devastating public policies, regulation, taxation and inflation as national policies over the previous several decades known too well to everyone. The only difference between these devastating policies of national states and devastating policies of one supranational European state is in its degree not in kind. All problems stay as they are, only their magnitude will escalate enormously. A revelation of the fact that there are pernicious problems inherent in state policies – policies conducted now on the supranational level – may be postponed for some time, but solutions which would help to solve them will be, however, harsher than ever before. The “judgement day” cannot be avoided.

Europe = Competition

Europe might be quite difficult to delineate exactly in geographical terms, it might evoke different things for different politicians in their political agenda. However one thing is clear - Europe has become what it is thanks to competition at all levels - competition among economic agents in the strict economic sense, competition among decentralized political units, competition among legal systems, educational systems and so forth. If there is something that can be called a **European Idea**, then it is precisely this sort of competition, which can be held responsible for an unprecedented success and prosperity of European people - The European Miracle.

¹ Oppenheimer, Nock, Rothbard, Wendy McElroy

„The secret of success was the diversity required for evolutionary competition. It led to the taming of the State, to respect for private rights, which in turn led to growth and wealth. Europe’s great luck was that a centralized power did not emerge.“²

Whenever Europe stuck more to its own principles, European *society* flourished (and the power of European states remained limited) - market forces of evolutionary competition did their valuable work. Whenever political struggles were set up and power-seeking politicians tried to reach political hegemony over European matters, the forces of social progress were converted into unproductive, i.e. wealth destroying political conflicts and the potential for general well-being wasted on the political battlefield. The machine of European progress has been crippled and an eminent danger of its ultimate destruction by the continent-wide *state* intensified.

It is not the task of this paper to provide a comprehensive analysis of the sources of European wealth and prosperity. It was done elsewhere.³ This sketchy outline of the basic view on European development was presented above in order to prepare solid ground for the discussion that will follow.

The 20th century witnessed three major attempts to establish a European state stemming from three distinct major ideological sources. (1) Paneuropean Movement, (2) the Nazi attempt to create a centralized Europe, and (3) the EU attempt to create a central European government. The Paneuropean idea never really materialized. The Nazi attempt failed for obvious reasons.⁴ The EU is so far the most “successful” attempt to create a single European jurisdiction. This issue was also tackled many times and all the superstitions about Europe clearly explained.⁵

A very interesting perspective of the conflict between “noble” European rhetoric and destructive real practice can be seen from the current effort of EU official bodies to re-regulate societies that just a few years ago swept away the yoke of communism. The way this was done was far from perfect – it took mostly a form of a softy-“pinky”/flim-flam deregulation of a completely state-run society into a half-socialist one with high taxes and high inflation. However, many important steps in a good direction were taken: so there was sometimes quite easy access to some markets, a quite small magnitude of licensing occupations in certain sectors. In short, due to the swing of the political pendulum some parts of the market became freer than the respective markets in the rest of the “civilized” world. Unfortunately, it did not last for long and politicians – even those with most the free-market

² Radnitzky, Gerald: „European Integration: Evolutionary Competition Against Constructivist Design”, MPS Meeting 1990, p. 4

³ Hoppe, Hans-Hermann: „The Economic and Political Rationale for European Secessionism”, in Gordon, David: *Secession, State & Liberty*, Transaction Publishers, 1998
Rosenberg, Nathan a Birdzell, L. E. Jr.: *How the West Grew Rich*

⁴ Mises, Ludwig von: *Liberalism*

Laughland, John: *The Tainted Source, The Undemocratic Origins of the European Idea*, Warner Books, 1997

⁵ Sked, Alan: „Good Europeans?“, The Bruges Group, Occasional Paper 4, 1989, or

Lottieri, Carlo: *European Unification as the New Frontier of Collectivist Redistribution, The Case for Competitive Federalism and a Free-market Economy*, Mises Institute Working Papers, 2000.

Lottieri identifies four superstition:

- Individual liberty and juridical polycentrism cause tensions and ultimately wars.
- The market is a reality requiring the State: it is the result of the juridical order created by the State.
- The existence of a European identity calls for the construction of a single State in Europe.
- In a unified Europe we will have more harmony and we will be able to support the development of poor societies (Eastern Europe, for instance).

rhetoric – swiftly converted all the postcommunist countries (including the Czech Republic) into politicized societies where all but the market virtues can be found.⁶

All post-communist countries made a **fatal decision**: declared their **membership** in the newly created **European superstate** as their political priority. By this decision all possible prospects for getting rid of political exploitation and a complex destruction of the heritage of communism was lost. All discussions about reasonable reform steps are senseless because now everything is already prefabricated by European political bodies. Thus the final, decisive discussion-winning argument is always the following one: (A left-wing version) “The EU wants us to enact this or that, don’t you wish to become a part of EU: the embodiment of civilization?”, or (a right-wing version): Though it is not very smart, we have to do this or that, because the EU wants that. Hopefully we can postpone an application of this measure by two or three years. When we are part of it, we can try to change it. Do you know of any other option than joining this socialist club of EU?”

A few examples can give you the flavor of what is going on:

(If not explicitly stated otherwise, all following citations are from 2000 REGULAR REPORT FROM THE COMMISSION ON THE CZECH REPUBLIC’S PROGRESS TOWARDS ACCESSION, the most important political text related to EU accession.)

- **1. An enormous propaganda is going on**

„In the years 2000-2002 total financial assistance to the Czech Republic will amount annually to EURO 79 million for Phare. Phare provides the applicant countries... with support for institution building, investment to strengthen the regulatory infrastructure needed to ensure compliance with the *acquis* and investment in economic and social cohesion.”

This program is concentrated on the following priorities such as :

- ensuring the Czech Republic is capable of applying Internal Market rules and regulations, in particular in areas such as data protection, the finance, telecommunications, energy and public procurement
- preparing the Czech Republic for the implementation of the Common Agricultural Policy, notably in areas such agricultural assets registration
- ensuring full compliance with the *acquis* in the area of occupational health and safety
- strengthening the institutional and administrative capacity to manage the *acquis*, in particular in the area of public administration and statistics

As a result of this inflow of EU money it has become good business to spend it. You can find regular pro-EU propaganda supplements in several major Czech newspapers and journals, there are new pro-EU M.A. programs in social sciences paid by this money as well as pro-EU highschool programs and a number of pro-EU books published thanks to the money going from the EU. The most recent phenomenon is a pro-EU campaign in private radio stations, TVs and on billboards.

Regulations are imposed *en masse*

- **2.** One of the most important things to gain **control over** is of course **statistics**. How else would they know, what and how to regulate. So money going to „institution building“ in the field of statistics have started to bring fruits „The Czech Republic has made

⁶ See Šima, Josef and Šastný Dan: "A Laissez-Faire Fable of the Czech Republic," *The Journal of Libertarian Studies*, 2/2000.

considerable progress in the field of statistics. As regards **statistical infrastructure**, legislation is substantially aligned with the *acquis*“, states the EU.

- **3. Research and education** is the next „logical“ field to regulate to prevent any unexpected changes or reforms. In the eyes of EU statisticians civilization equals strict state regulation. So the EU states: „Legislation on Research and Development should be adopted to harmonize the conditions for state support of research and technological development with those of the EU. Legislation on Public Research Institutions should specify the legal status of these institutions and regulate their creation and liquidation... In the field of education and training, an appropriate institutional framework is in place. It includes the Ministry of Education, Youth and Sports (MoEYS), national institutions providing services related to education directly managed by the MoEYS...“
- **4.** If statistics, research and education is under **control**, the **media** must necessarily follow. So the EU states: „The Czech Republic has made some limited progress in aligning with the Community **audio-visual acquis**, which is a short term priority of the Accession Partnership. As regards administrative capacity, the current competence and powers of the regulatory authority should be extended and its resources reinforced in view of the full implementation of the Community requirements. Particular importance should be attached to the establishment and strong supervision of a transparent and predictable regulatory framework in this field.“
- **5.** The EU asks to ensure **life-long employment for state bureaucrats** in order to “secure stability”, however the real result would be cementing positions of thousands of bureaucrats (half of them inherited from communist times) in their positions and preventing any possible radical reform (The Czech Republic today has much more state bureaucrats than under communism!)
- **6. The EU urges the increase of taxes**
The Czech ministry of finance says in its two-year outlook: “Due to the Czech accession to the EU the Czech Republic must change its laws in order to make it in line with those of the EU... By the date of September 30, 1999 the EU tax area is regulated by 76 directives, 9 regulations and 62 orders, out of which 5 directives and 2 regulations were completely transposed... It is still necessary to:
 - limit the list of goods with the lower VAT rate
 - lower the threshold for compulsory registration to VAT
 - increase the excise taxes
 - liquidate duty-free shops.”Then it is argued, some direct taxes may be lowered (not to discourage foreign investors), but stabilization (i.e. no decrease) of tax quota is the primary goal. Lowering taxes to give an impetus to the private sector (as done by Erhard in Germany after the WWII and to experience a similar boost) is out of the question.
- **7.** Businesses are made uncompetitive also by being forced to adopt EU **health and safety** standards. So irrespective of the wishes of local workers „enforcement of legislation in areas such as occupational health and safety and public health is weak. As regards labor law, the Directive on Young People is only partially transposed.“
- **8.** The EU urges **withdrawing land from the market** so the Czech Ministry of Agriculture sets up a program to subsidize farmers who produce nothing. A monopolistic

price is therefore secured for farmers and the EU “kindly” provides money for administering such a measure.

- **9.** As a kind of funny EU regulation happily imitated by Czech bureaucrats is the “**milk program for children in basic schools, high schools, and universities**”. Due to this regulation aiming at “securing healthy drinking habits” subsidized milk (millions of crowns are going into milk factories) has to be distributed even to university students.
- **10.** Tens of occupations, formerly with free entry therein, are now re-regulated and licenses are required. Licenses are needed to run “strategic” businesses such as: animal training, hair-dressing, travel-agency etc.
- **11.** Along with a EU pattern, all travel agencies must have **compulsory insurance** which results in higher prices.
- **12. Harmonization** of the “protection of property rights” resulted in the situation, that from January 2001 all “copy centers” have to pay an extra tax from each copy of whatever document. So if I make a copy of this paper, I have to pay extra money to the *Association of Authors*. Property rights are “safe”.
- **13.** A **harmonized Labor Code** sets not only a minimum wage, but now in a pro-EU fashion also compulsory breaks (every 4 hours), maximum overtime hours, etc. People are more and more intensively protected against themselves.
- **14.** The EU urges introducing “**antidiscrimination laws**”. The Czech Republic was chided in the most recent “evaluation report” for violating “human rights”- the reason was that “despite the ban on all forms of discrimination against women, salaries for the same type of work remain approximately 25% lower than those of men“, which is to them a clear sign that something must be done. The new law prohibiting this deficiency is to be a solution, says the EU report in chapter “Economic, social and cultural rights”.
- **15.** In the same report the EU “suggests” that the Czech version of the **Security and Exchange Commission** has to have more bureaucrats to strengthen supervision of the financial market.
- **16.** It is literally **impossible to find a sector, that would be untouched by EU regulations**. The EU „evaluation report“ is full of the following sort of claims: „The EC Directive on Safety of Toys is now transposed since July 2000 but technical standards must be further aligned.“, or „The amendment to the Act on Fertilizers was also adopted“, „In the area of cosmetics...“, „As regards the banking sector, the Czech Republic needs to adopt the new Act on Banks“, „In the field of **anti-trust**... only limited progress has been achieved“, „legislation regarding the control on imported fish needs to be adopted“, to name just a few.

How were all these regulations adopted? They were simply taken from the EU and translated into home language. Some problems arise immediately. No one is able to read it, and a mere translation is a huge technical problem. The EU is, of course ready to help with this and sponsor this absurd legal enterprise. „Applicant countries are to translate the various legal texts constituting the *acquis* into their national languages by the time of their accession. The *acquis*, consisting of primary and secondary binding legislation, represents at present a

considerable volume of acts, roughly estimated at 60.000-70.000 pages of the Official Journal. To help the candidate countries in this process, assistance is being provided under the Phare programme... As of June 2000, all documents of the primary legislation and about 28,000 pages of the secondary legislation have been translated, of which 10,000 have been fully revised. It is estimated that about 8,000 more pages will have been translated by the end of the year. With the consent of the Office for Official Publications in Luxembourg, approximately 200 of the revised documents have been displayed as working documents on the Internet, thus helping their implementation and general understanding in the public...“
However... „Further efforts are required in this area.“

Closing remarks

1. Europe has been destroying sources of its prosperity.

“Initially, the West's achievement of autonomy stemmed from a relaxation or a weakening of political and religious controls, giving other departments of social life the opportunity to experiment with change. Growth is, of course, a form of change, and growth is impossible when change is not permitted. Any successful change requires a large measure of freedom to experiment. A grant of that kind of freedom costs a society's rulers their feeling of control, as if they were conceding to others the power to determine the society's future”.⁷

The chance of experimentation with change is gone. Rulers do not give up easily and European Rulers know well how to govern.

European decentralization was crucial for its development.

"There was not one *Empire, Inc.*..., but a number of competing *Monarchies, Inc., Princes, Inc., and City-States, Inc.*"⁸

Now we have it. European statists ultimately managed to set up a huge and powerful superstate obsessed by regulations and unlimited democracy. To fight this evil is highly problematic these days. To find support in fighting against dictatorial Europe with Hitler as its leader was relatively easy because he was regarded by many people as the embodiment of evil. Hitlerian political centralization of Europe was therefore avoided. EU attempt to politically centralize Europe is, however, conducted in the name of human rights and democracy and both these concepts are perceived as the embodiments of goodness and civilization. Though democracy is exactly the mechanism responsible for destruction of (property) rights, destruction of social power and the rise of state power. You cannot even say something against it without raising public outrage. So power is quite easily transferred away from people toward the newly created EU authorities. (Due to the most recent *Treaty of Nice* in more than 20 areas unanimity among states is not needed anymore and democracy can start its operation on the EU level.)

2. Post-communist countries lost their chances.

Due to this situation, countries of a former socialist bloc will be deprived of their rapid dynamic development toward free and prosperous societies. The momentum that made prospects for radical reforms possible was lost. With the help of the EU the state forces recaptured their positions lost by the collapse of communism and in the name of democracy and (pseudo)human rights reestablished strict regulations, blocked the possibility to lower taxes and cemented their posts by pointing to the necessity to ensure stable and quality state administration. The post-socialist countries will therefore be relatively impoverished and trapped in talons of emerging state, and also (more and more) of the EU Leviathan. Their unique chance to move from the bosom of communism into the society based on property rights, individual responsibility and freedom has been wasted.

⁷ Rosenberg, Nathan a Birdzell, L. E. Jr.: *How the West Grew Rich*, p.34

⁸ Ibid. p. 137