

## **FROM THE BOSOM OF COMMUNISM TO THE CENTRAL CONTROL OF EU PLANNERS**

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Since the end of the Second World War, the issue of European integration has taken on ever-greater economic and political importance. Upon communism's collapse in Eastern and Central Europe, a special new dimension was added to the process. The idea of building a united and integrated Europe by abolishing artificial state frontiers and creating conditions under which Europeans might live peaceful, happy lives remains attractive.

The problem, however, is that the Europe now emerging is far removed from this grand and noble idea. Two visions of Europe now conflict: on the one hand, there is the ideal of an *economically* united and integrated Europe to which I subscribe; on the other, its antithesis, a *politically* unified and centralized Europe. The best way to understand the full implications of how these visions differ is to remind ourselves of the crucial distinction between the notions of *state* and *society*.<sup>1</sup> Albert Jay Nock made this point clear:

It is unfortunately none too well understood that, just as the State has no money of its own, so it has no power of

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<sup>1</sup>The distinction between political and economic means is developed in, e.g., Franz Oppenheimer, *The State: Its History and Development Viewed Sociologically*, trans. John M. Gitterman (New York: B.W. Huebsch, 1922); Murray N. Rothbard, *The Ethics of Liberty* (New York: New York University Press, 1998); and Wendy McElroy, "Defining *State* and *Society*," *The Freeman* 48, no. 4 (April 1998).

its own. All the power it has is what society gives it, plus what it confiscates from time to time on one pretext or another; there is no other source from which State power can be drawn. Therefore, every assumption of State power, whether by gift or seizure, leaves society with so much less power; there is never, nor can be, any strengthening of State power without corresponding and roughly equivalent depletion of social power.<sup>2</sup>

There is no doubt that European *society* would be greatly strengthened through the removal of artificial barriers to trade, capital and labor movement, among others. The quality of European life would improve dramatically if entrepreneurs were allowed to operate in markets covering the whole continent.<sup>3</sup> Fewer artificial barriers would mean that natural obstacles could be overcome more easily, and overcoming more obstacles would mean solving the basic economic problem, scarcity, more effectively.<sup>4</sup> This would also mean gaining more power over nature and furthering human progress, which is to say the process of civilization.<sup>5</sup>

Current European developments can, in contrast, be described as orchestrated political attempts to establish a European *state*. If statists have their way, this new state would be based upon the same devastating public policies, including regulation, taxation, and inflation, that have caused so much havoc in Eastern Europe over the last few decades. The only difference between the devastating policies of national states and the similarly devastating policies of one supranational European state is one of degree. The problems will not disappear; rather, their magnitude will escalate enormously. Revelation of the pernicious problems inherent in state policies, which will be conducted on the supranational rather than the national level, may be

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<sup>2</sup>Albert Jay Nock, *Our Enemy, the State* (New York: Free Life Editions, 1973), p. 3.

<sup>3</sup>It would be even better were they not limited by continental borders, and, thus, if free trade were extended worldwide.

<sup>4</sup>Frédéric Bastiat, *Economic Sophisms* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1996), chaps. 2–3.

<sup>5</sup>On this, see, e.g., Murray N. Rothbard, “Power over Nature and Power over Man,” chap. 11b in *Power and Market*, 2nd ed. (San Francisco: Institute for Humane Studies, 1977); and Hans-Hermann Hoppe, “Time Preference, Government, and the Process of De-civilization: From Monarchy to Democracy,” in *The Costs of War: America’s Pyrrhic Victories*, ed. John V. Denson (New Brunswick, N.J.: Transaction, 1997).

postponed; however, their solutions will be harsher than ever before. The day of reckoning cannot be avoided.

### EUROPE IS ABOUT COMPETITION

Just as Europe may be difficult to define geographically, so, too, does it mean different things to different people. One thing is clear, however: the reason for Europe's relatively high standards of living is that it has traditionally entertained competition at all levels: competition between economic agents in the strict economic sense, between decentralised political units, between legal systems, between educational systems, and so on.<sup>6</sup> If there is such a thing as a "European Idea," it is that competition is the reason behind the unprecedented success and prosperity of Europe: the European Miracle. As Gerald Radnitzky argued,

The secret of [Europe's] 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 centralised power did not emerge.<sup>7</sup>

Whenever Europe stuck to these traditional principles, and the power of European states remained limited, European *society* flourished as market forces of evolutionary competition did their valuable work. Whenever political struggles were set up and power-seeking politicians tried to attain political hegemony over European matters, the forces of social progress were converted into unproductive, wealth-destroying political conflicts, while the potential for general well-being was squandered on the political (and often military) battlefield. The machine of European progress has been crippled, and the eminent danger of its ultimate destruction by the continent-wide *state* has intensified. The concept of a European state has, thus, always been the enemy of European society.<sup>8</sup>

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<sup>6</sup>For more on positive effects of competition among legal systems, see Adam Smith, *An Inquiry into The Nature and Causes of The Wealth of Nations* (Indianapolis, Ind.: Liberty Classics, 1976), vol. 2, p. 720; and Boudewijn Bouckaert, "The Roots of our Liberties: On the Rise of Civil Society in the Medieval West," manuscript.

<sup>7</sup>Gerald Radnitzky, "European Integration: Evolutionary Competition Against Constructivist Design" (paper presented at the Mont Pèlerin Society Meeting, Munich, September, 1990), p. 4.

<sup>8</sup>A comprehensive analysis of the sources of European wealth and prosperity is beyond the scope of this paper. For such an exposition, see Hans-Hermann

In the twentieth century, there were three major attempts to establish a European state, each stemming from distinct ideologies: (1) the pan-European Movement; (2) the Nazis; and (3) the EU. The first idea never really materialised,<sup>9</sup> and the Nazi attempt ended in failure.<sup>10</sup> The EU, on the other hand, is the most successful attempt to create a single European jurisdiction.<sup>11</sup>

The best way to understand the conflict between noble European rhetoric and what is actually taking place is to study the current effort of EU official bodies to re-regulate societies that just a few years ago freed themselves from the shackles of communism following the demise of the Soviet Union. Officials took many important steps, such as reducing many barriers to entry, including abolishing occupational licensing in certain sectors. In some cases, freer markets than existed in other parts of the world developed in some areas of Eastern Europe.

However, such reforms were far from perfect, generally consisting of moderate amounts of deregulation. As a result, post-communist

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Hoppe, "The Economic and Political Rationale for European Secessionism," in *Secession, State, and Liberty*, ed. David Gordon (New Brunswick, N.J.: Transaction, 1998); and Nathan Rosenberg and L.E. Birdzell, Jr., *How the West Grew Rich* (New York: Basic Books, 1985). Nonetheless, the commentary above will help with the discussion that follows.

<sup>9</sup>Some might claim, however, that it merged with the post-WWII "European movement." See the postscript to the pioneering work by the founder of the pan-European Movement, Richard N. Coudenhove-Kalergi, *Pan-Evropa* (Prague: Panevropa, 1993). For a critique of the pan-European movement, see Ludwig von Mises, *Liberalism*, 3rd ed. (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1985), pp. 142–47.

<sup>10</sup>For a stimulating debate on the Nazi sources of the EU idea, see John Laughland, *The Tainted Source: The Undemocratic Origins of the European Idea* (London: Warner Books, 1998).

<sup>11</sup>See Alan Sked, *Good Europeans?*, Bruges Group, Occasional Paper 4 (London, 1989); also Carlo Lottieri, "European Unification as the New Frontier of Collectivism," *Journal of Libertarian Studies* 16, no. 1 (Winter 2002). Lottieri identifies four superstitions or erroneous beliefs which underlie the attempts to create a new state called 'Europe': (1) individual liberty and juridical polycentrism cause tensions and, ultimately, wars; (2) the market results from the juridical order created by the State; (3) the existence of a distinct European identity calls for the construction of a single European state; and (4) a united Europe would be more harmonious and better able to support the development of poor societies, such as those of Eastern Europe.

societies went from being completely state-run to being half-socialist, complete with high taxes and high inflation. The liberalisation did not last for long, as politicians, even those using free-market rhetoric, swiftly converted all post-communist countries (including the Czech Republic) into politicized societies where all but market virtues can be found.<sup>12</sup>

Post-communist countries made a terrible mistake: they decided that joining the new European superstate was their top political priority, thereby removing any hope of inaugurating a truly free society. With this fatal decision, all prospects for getting rid of political exploitation and rising above the heritage of communism were lost. After all, it makes no sense to discuss reforms when European political bodies now prefabricate everything.

EU advocates always seem to use the same argument, in either left-wing and right-wing versions, to trump their opponents. Leftists argue that “the EU wants us to enact this or that; don’t you wish to become part of the EU, the embodiment of civilisation?” Rightists argue that “Although this measure or law is not very sensible, we have to implement it because it is what the EU demands. With a bit of luck, we might be able to postpone the application of this measure by two or three years. When we become part of the EU, we will have the opportunity to change the law. The EU is admittedly socialist, but do you know of any option other than to join?”

The following are examples of measures that the Czech Republic must adopt as its government prepares for EU membership.<sup>13</sup>

### ***EU Propaganda***

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.

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<sup>12</sup>See, e.g., Josef Šima and Dan Šťastný, “A Laissez-Faire Fable of the Czech Republic,” *Journal of Libertarian Studies* 14, no. 2 (Summer 2000).

<sup>13</sup>The following quotations, unless otherwise cited, are from the Czech Republic, *Progress Toward Accession* (Prague, 2000). This is the most important political document relating to the Czech Republic’s planned accession to the EU. See <http://europa.eu.int/comm/enlargement/czech/index.htm>.

This program, according to the document, is especially focused on:

- ensuring that the Czech Republic is capable of applying internal market rules and regulations, in particular in areas such as data protection, finance, telecommunications, energy, and public procurement;
- preparing the Czech Republic for the Common Agricultural Policy, notably when it comes to the registration of agricultural assets;
- ensuring full compliance with the *acquis* relating to health and safety regulations; and
- strengthening the institutional and administrative capacity to manage the *acquis*, in particular in the areas of public administration and the compilation of statistics.

As a result of this influx of EU money, it has become “good business” to spend it. The flow of EU funds means that one can regularly find pro-EU propaganda supplements in several major Czech newspapers and journals. New, pro-EU masters degrees in social sciences have been launched and funded by EU subsidies; pro-EU high school programs have been introduced; and Brussels has funded a number of pro-EU books. Most recently, a pro-EU campaign using private radio stations, TV networks, and billboards has been launched.

### ***Statistical Research***

The EU has realised that to exercise control over a society, it needs to rely on statistical information. How else would Brussels bureaucrats know what to regulate? Money going to “institution building” in the field of statistics has started bringing fruits. According to official EU documents, “The Czech Republic has made considerable progress in the field of statistics. As regards statistical infrastructure, legislation is substantially aligned with the *acquis*.”

### ***Education and Training***

The EU views the regulation of research and education as particularly important. The takeover of schools would prevent any unexpected changes or reforms, and would reaffirm the EU’s grip on Czech society. In the eyes of EU statisticians, “civilization” equals “strict state regulation.” As a first step, the EU says:

Legislation on Research and Development should be adopted to harmonise the conditions for state support of

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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.

### ***The Media***

After statistics, research, and education are under control, the next logical step must be to sort out the media. According to the EU,

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.

### ***Bureaucracy***

The EU wants life-long employment guaranteed for civil servants in order to “secure stability.” The necessary result will be to make it impossible to remove thousands of bureaucrats, half of whom are inherited from communist times. This alone effectively rules out any possibility of radical reform.<sup>14</sup>

### ***Tax Increases***

The Czech ministry of finance argues in its two-year outlook that

due to Czech accession to the EU, the Czech Republic must change its laws to align them with those of the EU. . . . According to data from 30 September 1999, EU tax policy includes 76 directives, 9 regulations, and 62 orders. Only 5 directives and 2 regulations have, at this stage, been completely incorporated. . . . It is, therefore, still necessary to:

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<sup>14</sup>It should be noted in this context that the Czech Republic has more civil servants today than it had under communism.

- Limit the number of goods for which the lower rate of VAT is applicable;
- Lower the threshold for compulsory registration for VAT;
- Increase excise taxes; and
- Shut down duty-free shops.

Although certain direct taxes may be lowered so as not to discourage foreign investors, the primary objective of fiscal policy is to stabilise (i.e., eliminate decreases in) overall levels of taxation. Lowering taxes to boost the private sector, as Ludwig Erhard did with great success in Germany after the Second World War, is out of the question.

### ***Health and Safety Regulations***

The adoption of EU health and safety standards irrespective of the wishes of the local workforce is making Czech firms uncompetitive. According to the EU, the “enforcement of legislation in areas such as occupational health and safety and public health is weak. As regards labour law, the Directive on Young People is only partially transposed.”

### ***Agriculture***

Following EU demands that land be withdrawn from the market, the Ministry of Agriculture established a program to subsidise farmers who produce nothing. Farmers have, therefore, secured a monopolistic price for their products, with the EU providing money for the administration of the scheme. Of course, the grand redistributive scheme of the most wasteful EU common policy, the Common Agricultural Policy, is presented here as a demonstration of unidentified “European values” whose imitation will bring the country back to the “club of civilised nations.”

### ***Subsidised Milk***

Czech bureaucrats have happily introduced even such insignificant and almost comical regulations as the “milk program for children in basic schools, high schools, and universities.” The purpose of this regulation is apparently to promote “healthy drinking habits” and, as a result, subsidised milk is to be handed out even to university students.



### ***Barriers to Entry***

Many occupations that formerly had no barriers to entry have been regulated, due to the EU's "civilisation procedure." Licenses are now needed to run "strategic" businesses, including hairdressing, animal training, and travel agents.

### ***Burdensome Rules***

Along with the rest of the EU, travel agencies, in addition to conforming to new license requirements, must now also purchase compulsory insurance, which has resulted in higher prices for customers.

### ***Taxing Photocopies***

Harmonisation of the "protection of property rights" has meant that, since January 2001, all firms that provide photocopying facilities for the general public have to pay an extra tax, to benefit the Association of Authors, for each photocopy its customers make. Apparently, this means that property rights are "safe."

### ***Labour Markets***

A harmonised labour code sets out not only a minimum wage but also compulsory breaks (every four hours) and limits to overtime, among other regulations. The state is increasingly protecting citizens against themselves.

### ***Antidiscrimination***

The EU also urges "antidiscrimination laws." The Czech Republic was chided in the most recent "evaluation report" for violating "human rights" because "despite the ban on all forms of discrimination against women, salaries for the same type of work remain approximately 25 percent 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 the chapter titled "Economic, social, and cultural rights."

### ***Financial Regulations***

In the same report, the EU "suggests" that the Czech equivalent of the U.S.'s Securities and Exchange Commission increase the number of its employees to strengthen bureaucratic supervision of the financial market.

## ***Regulatory Madness***

It is impossible to find a sector of the economy untouched by EU regulations. The EU “evaluation report” is full of the following sort of claims:

The EC Directive on the Safety of Toys has now been transposed (from July 2000) but technical standards must be further aligned.

The amendment to the Act on Fertilisers 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.

How were all these regulations adopted? They were simply taken, ready-made, from the EU, and translated into Czech. The mere task of translation presents a huge technical problem, although the EU is, of course, ready to help, and has willingly sponsored 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.

## CONCLUSION

All in all, it is clear that Europe has been destroying the source of its prosperity. As Rosenberg and Birzdel wrote:

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. And *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. A great majority of societies, past and present, have not allowed it. Nor have they escaped from poverty.<sup>15</sup>

The chance of experimentation with change is gone. As Rosenberg and Birzdel have rightly pointed out, European decentralisation was crucial for the development of our continent: "There was not one 'Empire, Inc.,' but a number of competing 'Monarchies, Inc.,' 'Princes, Inc.,' and 'City-States, Inc.'"<sup>16</sup>

Now we have it: the Euro-statists, obsessed with unlimited democracy, are setting up a huge and powerful superstate to regulate everything in sight, making the fight against this evil very difficult. It was relatively easy to drum up support to fight a dictatorial Europe with Hitler as its leader, because many regarded him as the embodiment of evil. Hitlerian political centralization of Europe was, therefore, avoided. The problem with the EU's attempt to politically centralise Europe is that it goes forth under the banners of human rights and democracy; both of which are perceived as the embodiments of goodness and civilization.

This sort of unlimited democracy is exactly the mechanism responsible for the destruction of property rights, the destruction of social power, and the rise of state power. As Anthony de Jasay states, "Under democracy, people are encouraged to try and get, by the political process, what the economic one denies them."<sup>17</sup> Indeed, one

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<sup>15</sup>Rosenberg and Birzdel, *How the West Grew Rich*, p. 34.

<sup>16</sup>Rosenberg and Birzdel, *How the West Grew Rich*, p. 136.

<sup>17</sup>Anthony de Jasay, *The State* (Indianapolis, Ind.: Liberty Fund, 1998), p. 284.

cannot even speak out against such unlimited democracy without raising public outrage. As a result, power is quite easily channeled away from the people and toward the newly created EU authorities. In fact, due to the most recent Treaty of Nice, unanimity among states is no longer required, and democracy can start its operation on the EU level in more than 20 areas.

Bertrand de Jouvenel offered insight on this process:

We no longer understand the process, we no longer protest, we no longer react. . . . Today as always, Power is in the hands of a group of men who control the power house. . . . All that has changed is that it has now been made easy for the ruled to change the personnel of the leading wielders of Power.

Viewed from one angle, this weakens Power, because the wills which control a society's life can, at society's pleasure, be replaced by other wills, in which it feels more confidence. – But by opening the prospect of Power to all the ambitious talents, this arrangement makes the extension of Power much easier.

Under the *ancien regime*, society's moving spirits, who had, as they knew, no chance of a share in Power, were quick to denounce its smallest encroachment. Now, on the other hand, when everyone is potentially a minister, no one is concerned to cut down an office to which he aspires one day himself, or to put sand in a machine which he means to use himself when his turn comes.<sup>18</sup>

As a result of this situation, countries of the former socialist bloc will find themselves deprived of the possibility of rapid dynamic development toward free and prosperous societies. The momentum behind radical reform following the collapse of the Soviet Union has been lost. With the “help” of the EU, the forces of statism are regaining ground: they have reestablished strict regulations, blocked the possibility of tax cuts, and helped establish a tenured class of state administrators, all in the name of democracy and human rights.

The result will be to relatively impoverish post-communist economies and trap them in the talons of the emerging EU Leviathan. A unique opportunity to move from the bosom of communism to a society based on property rights, individual responsibility, and freedom has, thus, been squandered.

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<sup>18</sup>Bertrand de Jouvenel, *On Power*, trans. J.F. Huntington (New York: Viking Press, 1949), pp. 9–10.

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