

Do not tie the markets – free them

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It is a common feeling that the Czech Republic is **taking over** the European Union presidency at a rather complicated moment, even though almost all “moments” can eventually be called “complicated”. We should not panic and must say No to people who – by describing the current moment as *the historically unique one* – want only to manipulate us.

There are, of course, highly publicised (if not over-publicised) problems. The world is in the midst of a deep **financial and economic crisis**. The EU has growing troubles with its increasingly visible democratic deficit and is gravely divided as regards its own institutional arrangements. The global climate is basically not changing, but global warming alarmists have succeeded in persuading politicians (and some ordinary people as well) that a doomsday is coming and on this false assumption they have tried to restrain our freedom and curtail our prosperity. The long-existing nucleus of armed conflicts accompanied by immense suffering of millions of people – in places such as Afghanistan, Iraq, Israel-Palestine and some African regions – does not promise any quick solution.

The economic crisis should be regarded as an unavoidable consequence and hence a “just” price we have to pay for immodest and over-confident politicians playing with the market. Their attempts to blame the market, instead of blaming themselves, are unacceptable and should be resolutely rejected. The Czech government will – hopefully – not push the world and Europe into more regulation, nationalisation, de-liberalisation and protectionism. Our historical experience gives us a very strong warning in this respect.

Looking for ways out, we should – to use an analogy – strictly differentiate between fighting the fire and drafting fire protection legislation. We have to concentrate on the first task now; the second one can be done gradually, without haste and panic. A big increase in financial regulation, as is being proposed so often these days, will only prolong the recession. Growth in the global economy is falling rapidly, the banks have ceased to grant credit and confidence is ebbing. Radically changing regulation governing financial institutions in the midst of recession is counterproductive.

Aggregate demand needs strengthening. One traditional way to do this is to increase government expenditures, probably in public infrastructure projects, on condition these are available. It would be much more helpful, however, to have a great reduction in all kinds of restrictions on private initiatives introduced in the last half a century during the era of the brave new world of the “social and ecological market economy”. The best thing to do now would be temporarily to weaken, if not repeal, various labour, environmental, social, health and other “standards”, because they block rational human activity more than anything else.

As regards the EU’s “constitutional” stalemate, the Czech government will – hopefully – not lead Europe to an ever-closer union, to a Europe of regions (instead of states), to a centralised, supranational Europe or to an increasingly controlled and regulated Europe masterminded from above. It will keep stressing its EU presidency slogan “Europe without barriers”, which means the advocacy of further liberalisation, removing trade barriers and getting rid of protectionism.

Our historical experience gives us a clear instruction: we always need more of markets and less of government intervention. We also know that government failure is more costly than market failure.

We can also count on the fact that the Czech government will hopefully not be the champion of global warming alarmism. The Czechs feel that freedom and prosperity are much more endangered than the climate. The uniqueness of current levels of global warming is not a proven phenomenon. The explanation of factors that are contributing to global warming is not very clear and persuasive. Moves to mitigate climate change by fighting carbon dioxide emissions are useless and, what is most important, human beings have proved themselves to be sufficiently adaptable to an incrementally changing climate. We should turn our attention to other, really daunting issues.

The world in the year 2009 will not be spared armed conflicts, international terrorism, and territorial and religious disputes which – no matter how geographically distant they may be – will have consequences for all of us. We know that peace cannot be declared unilaterally and that long-lasting solutions are usually not the ones that are imposed from abroad. The Czech government will not support external interventions into the domestic affairs of sovereign countries. We should resist being seduced by philosopher-king ambitions.

The pragmatic Czechs – with all their criticism of European decision-making mechanisms – will not attempt to initiate a pan-European “velvet revolution” but will promote their interests and priorities. We will treat others as we expect to be treated: with respect for different views. We will be happy if a common denominator in – at least – some cases can be found. Reliance on negotiations and on the positive effect of the diversity of views is what makes Europe Europe.

The EU presidency might give us a chance to make use of some of our views to the benefit of the citizens of all EU member states. Their welfare and happiness will be maximised in a free, democratic, decentralised, open and liberalised Europe.

The writer is president of the Czech Republic. The Czech Republic has just assumed the rotating presidency of the European Union

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