

# 25 Years after the Fall of Communism: The Irrationality of Communism Must Not Be Forgotten

Václav Klaus var Tjekkiosloveniets finansminister i de afgørende år efter Berlinmurens fald og senere premierminister og Præsident for Den Tjekkiske Republik. Václav Klaus var hovedtaler på Libertas' konference om 25-året for Berlinmurens fald og kommunismens sammenbrud, lørdag d. 1. november 2014. Václav Klaus modtog Libertas' Adam Smith pris i 1995.

Af Václav Klaus

Many thanks for the invitation. In all countries of Central and Eastern Europe, we are remembering the 25<sup>th</sup> anniversary of the fall of communism these days. I am very glad to be in Copenhagen again. I would like to thank Libertas and the Czech Embassy, that they organized this meeting and invited me to speak here, together with my old friend from that era Uffe Ellemann-Jensen, Danish Minister of Foreign Affairs. I would also like to stress that I didn't forget the Adam Smith Prize that I got from you in 1995.

Communism, one of the most irrational, oppressive, cruel and inefficient systems in history ceased to exist suddenly and relatively quietly 25 years ago. It fell at the same time in all Central and East European countries and with some delay also in the Soviet Union – in spite of all the non-negligible differences among the countries of the former Soviet bloc. This fact proves that the common features – even though we all supposed that we were unique – were stronger.

This radical and far-reaching breakthrough brought us many positive improvements. We were happy, joyful, and full of hope. We were fascinated with ourselves, praised by friends and supporters in the rest of the world. We enjoyed both their appraisal and our rapid acceptance in the community of free countries. The overwhelming majority of citizens of our countries have no doubts that they live in a much better world now.

It is also the appropriate time to say that when we became part of the free world we had mixed feelings. We realized that the world did not quite understand

us, our fate, our experience, our dreams and ambitions. The degree of the lack of freedom, of the irrationality of the communist system and of the oppression we had to go through was highly underestimated. On the contrary, the degree of our understanding of the free world, which we were not part of for such a long time, our ability to behave quite normally, our level of education, our knowledge of our common European culture, proved to be higher than most people in the West expected. Despite the long-lasting communist propaganda and indoctrination, we knew more about the capitalist West than the non-communist world knew about us. I am afraid this asymmetry is there even now.

Communism still remains misunderstood. It ceased to be discussed and analysed too early, **especially its later stages**, its gradual weakening, emptying, and softening, as well as its complete resignation on defending itself or, luckily, on fighting back. In the final stages of communism practically nobody believed in the original pillars of its ideology – in Marxism and its derivative, the Communist doctrine. The only books and studies which continued to be published have been about communism earlier, much uglier periods, about the "gulag" era (in the Soviet Union) or about the 1950s in other communist countries when people were killed, not just jailed or fired from their jobs.

Not to correctly interpret the later, in many respects milder stages of communism makes it difficult to understand the rather sudden and bloodless end of communism, to comprehend all the tenets of the post-



communist transition, and to be able to sharply look at the present era.

The communist regime was in many respects already an empty shell. **As a result, communism melted down (or passed away), it was not defeated.** There are people and groups of people who don't like this interpretation of events, who claim that they themselves defeated communism which is, however, not true. I don't want to diminish anybody's merits, but communism in 1989 needed just one last straw. The subsequent chain reaction of millions of people happened spontaneously and automatically.

**Everyone – especially in the West – expected that the end of communism would bring about a shock, chaos, disorder, if not a civic war.** As we know, this did not materialize. Even in the Soviet Union, where communism lasted more than seven long decades, it foundered more or less quietly. All of us who knew the book by Andrei Amalrik "Will the Soviet Union Survive Until 1984?", written at the end of the 1960s, expected much more dramatic events. **This relatively quiet end reveals the weakness and effective defencelessness of communism at the end of the 1980s.**

With all my criticism of various details of sub-sequent developments in my country and else-where – which I

experienced both as a citizen and as a politician who had been during these years continuously in leading political positions – I have to claim that **the post-communist transition (or transformation) was a success.** The criticism of its particular aspects is undoubtedly justified and more than welcome but its main positive tendency can't be disputed.

In my country we – relatively very rapidly – succeeded in establishing an elementary institutional structure of a standard, full-fledged parliamentary democracy. It proved that it was not necessary to constructively create a political system – it was sufficient, to use the economic terminology, to open the entry into the political market. That was enough.

This favourable political structure lasted till the end of the last decade, till the outbreak of the 2008-2009 financial and economic crises. At that moment different political tendencies started to prevail. It led to the shift from standard politics to post-political, post-democratic arrangements, from authentic, ideologically well-defined political parties to ad hoc political projects based more on marketing than on ideology or party membership.

It was not a consequence of the economic crisis. The crisis only accelerated it. I am afraid this is a more

general European trend. **It is the consequence of the more and more destructive nation-state weakening, if not liquidating, EU arrangements** and of the strengthening of global governance. **It is also a result of the gradual replacement of traditional European and Western values with politically correct norms based on new isms – such as cultural relativism, human rightism, multiculturalism, NGOism, feminism, homosexuality, environmentalism, juristocracy and mediocracy.** Classical political democracy is, I am afraid, over. I don't feel the triumph of liberty as it is expressed in the title of this gathering.

On the economic side, we organized a rapid systemic change. We proclaimed very early and quite explicitly that we wanted capitalism. **We resolutely refused all dreams about all kinds of "third ways"** or about a possible or desirable convergence of existing economic and political systems. What we are getting, however, is not the "first way". It is the old, well-known "second way", the European socialism. This is another reason for our frustration.

What we really wanted 25 years ago was **to avoid a non-transformation**. We didn't want to give a chance to all kinds of rent-seeking groups which sought to preserve the status quo and/or steal the whole transformation process to the benefit of their vested interests. This influenced our position vis-à-vis all versions of **gradualism which we considered a non-reform**. We did not believe that gradualism was a realizable reform strategy (in a politically free society) and we, symmetrically, disagreed with the term "shock therapy" both as a useful reform concept and as a description of reality in our country and elsewhere. We refused to accept the "shock therapy vs. gradualism" dilemma even now discussed in the economic literature as meaningful alternatives. The term "shock therapy" is not an analytical term. It is a political accusation used by socialists like Joseph Stiglitz as a political attack.

We considered both the economic and political reforms interconnected and indivisible. To separate them à la China was in Central and Eastern Europe impossible. **The unrealistic concept of gradualism was (and is) based on the belief in the possibility of a detailed orchestrating of reforms.** It would have been, however, possible only with the absence of political freedom which was not our case.

We knew that the transformation project had to be ours, based on our ideas and on our realities. We did not consider ourselves representatives of international institutions and we did not feel any reason to please them. We tried to find our own "Czech way" and to

give the people a chance to be part of the game, not to be just passive observers.

**The decisive part of the transformation process was massive, wholesale privatization.** In our case, it was based on several ideas which are worth repeating:

- our goal was to privatize practically all the existing state-owned firms, not just to allow the setting up of new firms on "green fields";
  - fast privatization was considered to be the best contribution to the much needed restructuring of inefficient state-owned firms (we did not believe in the ability of the government to restructure the firms prior to privatization);
  - privatization of firms in the real economy couldn't wait for the completion of the privatization of banks (it had to go parallelly);
  - because of the lack of domestic capital (which did not exist in the communist era) and because of the very limited number of serious potential foreign investors, firms had to be privatized at a low price. This idea led us to the concept of "voucher privatization". The concept played in our country an important, but not dominant role which is very often misunderstood. Only less than one fourth of the Czech privatization was realized by means of voucher privatization.
- From the very beginning, **the Czech reformers knew that they had to privatize the economy they inherited as soon and as fast as possible.** We did not want to leave our to-be-privatized-firms in an unavoidable "pre-privatization limbo" in which they were rapidly losing their value. For that reason, we did not have any great interest in the maximization of the size of privatization proceeds. The fast speed of privatization (not its proceeds) was seen as an asset, not a liability.

At the same time, we liberalized, deregulated and desubsidized the economy quite radically and early. This liberalizing tendency lasted, to our great regret, only part of the previous 25 years. Partly due to the loss of our own reform momentum (for domestic political reasons), but mostly because of our approaching and finally entering the EU, we started a reverse process. That is why, **our economy is more regulated and subsidized (and harmonized and standardized) now than 10-15 years ago.** The final blow came with the recent financial and economic crisis and with the methods of its "treatment" by means of a very extensive government interventionism.

In any case, our economy happens to be more regulated and more subsidized than we imagined in the moment of the fall of communism. We did not believe it could ever happen. It seemed to us that the masterminding of the economy from above was so discredited by the communist experience of ours that it cannot return. We were wrong.

We also assumed that everyone understood that the government failure is inevitably much bigger than any imaginable market failure, that the visible hand is always much more dangerous than the invisible hand

of the state, that the vertical relations in society must be less productive (and less democratic) than horizontal relations, etc. Again, we were wrong.

Twenty five years ago, I warned against creating a negative expectations-reality gap because it would have undermined our reform process. I have to accept that **I myself experience a huge expectation-reality gap now**. I expected to live in a much more free, democratic society and economy than it is the case today.



## 25-året for Berlinmurens fald - og kommunismens sammenbrud

  
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Uffe Ellemann-Jensen

  
Samuel Rachlin



Selskabet Libertas fejrede Berlinmurens fald og kommunismens sammenbrud med en konference i Landstingssalen på Christiansborg, lørdag den 1. november 2014

Blandt talerne var Václav Klaus, Uffe Ellemann-Jensen og Samuel Rachlin. Kasper Elbjørn var ordstyrer.

