

## **State-building and the EU Membership: Is it a compatible project? \***

Václav Klaus

It is a real pleasure to be here in Montenegro, in the very beautiful region of Tivat and Kotor. Let me use this opportunity to express my sincere thanks and gratitude to all of you, and especially to Boris Mintš, for bringing me here (as well as to many other beautiful places). I was here only once before, on a formal state visit, which lasted just a few hours.

As a Czech, I should remind this audience of an important historical event. A century ago, my country and Montenegro were a part of one state – the Austro-Hungarian Empire. The nearby city of Kotor, one of the main naval military bases of the monarchy, became in February 1918 the scene of a very unique anti-war uprising within the Austro-Hungarian military fleet.

This spectacular and brave act brought together soldiers of all nations of the Austro-Hungarian Empire. Many of them were Czechs. Their heroism and sacrifice (due to the brutal suppression of the uprising) paved the way for Czech independence several months later. Kotor with this legacy has remained in the Czech historical memory ever since.

Returning to our conference, I would like to stress that this is, if I am not wrong, the second BMI meeting in a post-communist country. The first such meeting was in Georgia and Armenia, which was in many respects unforgettable for me, but this one is in Europe, in south-east Europe, in the Balkans, in a very special part of Europe. We have to make a maximum use of it.

Thank you for giving me a chance to speak here. I know it is very difficult to address such a diverse and difficult audience as this one, a group of people coming from

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very different countries, with different backgrounds and experiences, and with very diverse interests and ambitions.

**I am an economist** and the economics and other social sciences deal with people, study their behaviour, try to understand it, and try to explain its consequences for the future of the human society. Being an economist and thinking as an economist means to have specific knowledge and a special expertise. Very powerful, but – what non-economists underestimate – limited in its scope.

The economists don't have any special clue for discussing technology (including its very aggressive and expansionist branch, the information technology) which is the reason why I was more or less silent during our yesterday's discussions. **Nevertheless, as an economist I have to warn against unjustified expectations connected with any technology**, including the blockchain would-be revolution. I belong to the group of economists who are convinced that **the overinvestment in the IT is the main reason for the deceleration of economic growth in the West during the last decades.**

We are here in Montenegro, in the Balkans, in one of the succession states of former Yugoslavia. The Czechs always loved Yugoslavia. Just a month ago, we remembered the 50<sup>th</sup> anniversary of the occupation of Czechoslovakia by the Warsaw Pact armies in August 1968. We will never forget that Yugoslavia openly protested against it.

For economists and social scientists, this country has always been a very interesting field of studies. Let me say a few words about it. In countries of Central Europe, the transition from communism into a free and democratic society and market economy was done in a relatively clear and straightforward way, which – in my understanding – was not the case of Montenegro and other ex-Yugoslav states.

This difference was partly caused by the very “unvelvet divorce” of Yugoslavia and by the subsequent tragic war (or series of wars) which I have always considered intentionally misinterpreted in the international politics and media. I have always opposed the German (and the EU) involvement at the beginning and the U.S. involvement later. It is a pity we didn't devote more time to this topic during this BMI meeting.

There is, however, another part of the story. The Yugoslav system, originally based on **the doctrine of worker's council** (in the economic literature discussed also under the term “labour-managed economy”) was very special.<sup>1</sup> One consequence of the Yugoslav system was that it helped to establish a much higher degree of decentralization and political democracy in this country than in any other standard Soviet-type communist state.

I have always wondered whether this special past helped in the subsequent transformation task or whether it was more of a complication. I don't pretend to have an authoritative answer to that question but I am afraid it was not a help (which is – I am aware of it – a non-standard view).

I have two arguments for it. In our country, a radical departure from communism was considered a prerequisite for any successful future development. We speak, therefore, about a revolution, about a radical and fundamental systemic change. I may not be listening attentively enough, but I have not heard the term “Yugoslav” or “Montenegrin” revolution in a similar meaning. This difference may be relevant, because **the past wasn't here so resolutely rejected**. One of the reasons for it is that the communist system was perceived in Central Europe as imposed on us by the Soviet Union, whereas in your country communism was “homemade”, not imported.

Second reason is connected with the tricky problem of privatizing the “worker's council” firms. It is, at least conceptually, easy to privatize state-owned firms. The task is clear. It is much more difficult to privatize the non-state workers' council firms. Our experience tells us that it was much more complicated to deal with our agricultural cooperatives which represented a variant of a “worker's council” type of firms.

My tentative conclusion is that your transformation task was – because of the relatively positive past – not easier than ours.

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<sup>1</sup> The standard capitalist firm maximizes profit, the standard Soviet-type firm maximizes gross output, the worker's council type firm maximizes gross income. The resulting differences in the efficiency of these economies are well described in the economic literature.

The recent Montenegrin development has been significantly influenced by a factor called Europe. I fully accept and understand the **Montenegrin ambitions to become a normal European country** which – these days – means to be a member of the European Union. The newcomers are, however and to my great regret, not able to define or formulate “the European normalcy”. We are not free to do it. We have to accept the rules of the club.

**These rules, however, represent a political, social and economic system which is not compatible with the vision of society we wanted in the moment of the fall of communism.** We wanted national sovereignty but got governance from Brussels instead. We wanted free markets but are getting the German “soziale (und mehr und mehr grüne) Marktwirtschaft”. We used to live in a “people’s democracy”, wanted to live in a democracy and got liberal democracy instead.<sup>2</sup>

The undergoing substantial shifts in Europe and in the whole West – from democracy to post-democracy – should be of the utmost concern to all of us. I am afraid Europe forgets what is behind its centuries lasting extraordinary developments which have been spontaneously evolving during the history. **This evolution has been recently broken.** I see it as a serious problem we have to pay attention to, both in the Czech Republic and in Montenegro, both by academicians and common people, both by politicians and their voters.

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<sup>2</sup> We formulated our objections to it in a recent „Manifest“ of our Institute: „In Defence of Democracy against Liberal Democracy”, Václav Klaus Institute, Newsletter Plus, Prague, June, 2018, in Czech.