

Freedom and Free Market Principles Are As Important to Fight For Now as in the Past, Maybe More

Susan Hutchison's introduction of Charles Simonyi.

Now it is my pleasure to introduce someone else, who I know very well as his partner in philanthropy, Charles Simonyi. Charles is one of the premiere citizens in Seattle. You may not know him, but actually you do every day if you use a computer, because every time you use Microsoft Word, you are tapping into Charles Simonyi's genius, as he was the architect of Word.

He worked at Microsoft for 20 years and was the architect of Word and Excel and many other important programs. Currently he is the founder and CEO of Intentional Software, a company located in Bellevue. Bill Gates calls him one of the best computer programmers in the world. I believe that's true.

Charles left Hungary at the age of 17. Communist Hungary. He left his family and he went to Denmark to get a job in computing. A year and a half later, he came to America where he attended Berkeley, for his undergraduate degree, and Stanford for his PhD. He was working at Xerox Park in Palo Alto when he got

an interview with a guy named Bill and a guy named Paul and the rest is history.

Many of you recall a year and a half ago when Charles went in to space as a "space tourist". It was just announced, Monday, that he is going back in to space. He's one kind of crazy guy. He will serve again on the space station, 240 miles up, launching in to space in late March of 2009.

My favorite quote of Charles, and I have many, but my favorite is the one I heard him say to a reporter at the news conference held for the first trip up in to space, when they announced that he was going. The news conference at the museum of flight. And a reporter asked a very logical question. She said "Did you always want to be an astronaut? Was it your dream as a little boy to go into space?" And he answered her so quickly and so strongly. He said "No, my dream was to get to the West and be free."

Please welcome Charles Simonyi. [applause]



Introduction of President Klaus by Charles Simonyi.

Václav Klaus was born during World War II in Prague and attended the Prague School of Economics where he studied in Economics of Foreign Trade, a choice which would later serve him quite well. Afterwards he took advantage of opportunities to study in Italy and at Cornell in the United States. In 1968 he earned his PhD in economics from the Institute of Economics of the Czechoslovak Academy of Sciences. Two years later he was forced to leave his position at the Institute for political reasons and began working for the Czechoslovak State Bank.

During the Velvet Revolution which brought an end to communist rule in Czechoslovakia in 1989, President Klaus began his political career by becoming Federal Minister of Finance. In 1992 he became Prime Minister of the Czech Republic and only months later he took part in the peaceful division of Czechoslovakia, creating an independent Czech Republic. In 1996, he successfully defended his position as Prime Minister in the elections to the Chamber of Deputies, but he resigned after the break-up of the government coalition in November 1997. The following year, Klaus became the Chairman of the Chamber of Deputies for a four year term of office. In 2003, Václav Klaus was elected President of the Czech Republic and was re-elected this January.

Despite a busy political career, Klaus continued to lecture and publish occasionally and in 1991 he was an economics lecturer at Charles University and in 1995 he was appointed as a finance professor at the University of Economics in Prague.

Since 1990, Václav Klaus has received nearly 50 honorary degrees and published over 20 **books** on various social, political, and economics subjects. His latest book, *Blue Planet in Green Shackles*, as you have seen is this year's Dinner gift from WPC and is available on your table. The book makes the case that policies being proposed today to address global warming are not justified by current science and are, in fact, a dangerous threat to freedom and prosperity around the world. As a supporter of Washington Policy Center's Center for the Environment, I am particularly interested in his book.



President Klaus is married to another economist, Livia Klausova, and has two sons and five grandchildren.

An interesting note - in WPC's conversations with the Czech embassy, we learned that President Klaus loves our very own Starbucks coffee. In fact, earlier today he met with Starbucks CEO Howard Schultz at their headquarters.

As Dann Mead Smith comes forward to present the 2008 Columbia Award, I will read the award's inscription:

The 2008 Columbia Award is presented to Václav Klaus

For his courage and dedication in leading the Czech people out of the shadow of communism and for creating a modern market economy based on respect for individual liberty, property rights and the environment. This has enabled the Czech Republic to become a respected member of the community of nations. President Klaus' example is an inspiration to people around the world who aspire to a life of freedom, democracy and economic opportunity.

Presented at the 2008 Washington Policy Center Annual Dinner October 1, 2008.

Many thanks for the invitation to this beautiful part of your great country and for honoring me with the very prestigious Columbia Award. I am extremely grateful, especially after having seen the list of the past award holders.

Speech by Václav Klaus, President of the Czech Republic, made at Washington Policy Center's 2008 Annual Dinner on October 1, 2008 at the Seattle Sheraton Hotel



I will start with a short story connected with one of them – with George Will who received the award two years ago. Several weeks after the fall of communism, in January 1990, I attended – as a minister of finance – for the first time in my life a major international conference, the well-known World Economic Forum in Davos, Switzerland, and made strong pro-market statements there. As a great admirer of the Chicago School of Economics and of Milton Friedman, I was wearing the University of Chicago tie that I got as a present from the dean of the Chicago Graduate School of Business the night before. George Will, who was in the audience, wrote his typical powerful column next day entitled something like: “Post-Communist Minister of Finance with a Chicago Tie”. It is due to this article that I, for the first time, received an international media attention. That’s not all. He made a mistake saying that I studied at the University of Chicago, which – in the communist era – was not impossible but unimaginable, and this misinformation has been repeatedly used in many of my CVs since. Not here today.



I understand that the Columbia Award is being given – I quote – “to a public leader who has demonstrated a commitment to free market principles and strong public leadership in this field.” I’ve tried to follow such principles throughout my whole life – both in the difficult and frustrating years of the communist regime and now in my public functions in a free Czech Republic.

Many of us, both in the East and in the West, hoped somewhat naively that the end of communism would bring the end of history and the beginning of an eternal era of freedom, peace, and prosperity. It turned out not to be so. Communism was one model of radical rejection of freedom and free markets but I see – and I suppose and hope many of you also – other dangers which should

be taken very seriously as well now.

If I was here in the 1990's, I would speak about my experience associated with our radical transition from communism to free society, with our moving from oppression, irrationality and inefficiency to freedom. The process of the dismantling of communism, the difficulties connected with the building of a totally different political, economic and social system, and efforts to avoid slippery third ways heading towards new versions of statism and collectivism, were not the only important features of the last two decades. There were at least two other ones as well.



One of them – and it may not be directly relevant to you but it worries me a lot – is the undergoing weakening of democracy and free markets on the European continent connected with the so called European “unification” process. Not to be misunderstood, I do not speak about my country’s EU membership (by the way, it was me who signed the formal application to enter the EU in 1996 as prime minister of the country), because in Europe there is no other way to go. You can’t stay out of the EU. It has been, however, a process with much different characteristics than the dismantling of communism: entering the EU did not increase our freedom, our democracy, or our sovereignty. It brought us more of regulation and more of extensive government intervention.

In addition to it, in the last few years, we witness yet another extensive and far-reaching attack on freedom and free markets: one that is based on environmentalism and especially on the ambitions of global warming alarmism. These are my three topics for this evening.

We may proudly say that the radical transformation of our society was successful and that the Czech Republic is a normal democratic country in all relevant respects now. By going through the transformation process, we have learnt some useful lessons which shouldn’t be forgotten.

It should be stressed that what we did was not brought in from the outside. I believe it can never be. It was done by ourselves, through our own domestic efforts, through our own determined political activities, and thanks to the political support of millions of Czechs who wanted to get rid of the past. I don’t see any possibility to import freedom, democracy and free markets from abroad which may be a relevant piece of knowledge for anyone in any corner of the world who aspires to do the same.

The remarkable unity of almost the entire nation in the moment of our Velvet Revolution, as we called it, was the precondition for moving ahead. This unity was, however, mostly negative. The people were united “against something,” not “in favor of something.” For the majority of the people at that moment the alternative to communism was not “American-style” capitalism, something which would be – I guess – advocated by the Washington Policy Center. Instead, various utopian “third ways” were being sought and promoted.

The proponents of these approaches were against the establishment of political parties, because they wanted the so-called “non-political politics” and because they claimed an exceptional role for intellectual and cultural elites in the running of the country. Something – I guess – you know as well. In the economic sphere, they did not want to fully abandon the old economic system. They did not trust the market and kept reiterating the

old fairy tales about the upcoming convergence of economic systems. In the field of foreign policy, they were idealists without a realpolitik understanding of foreign policy and wanted to make the Czech Republic a bridge between the East and the West.

In 1990, a relatively small group of people was not afraid to say loudly that our goal was capitalism and a standard parliamentary democracy. Fortunately, this group that I was part of succeeded in winning this fundamental domestic dispute.

Political restructuring turned out to be easier. It was sufficient to liberalize the entry into the political market and to let people form political entities without any restrictions. It worked very rapidly.

The economic change was much more difficult because the communist economic systems left us a difficult legacy. We had to liberalize prices – after 40 years of fixed, and, therefore, entirely misleading prices – in the environment of a monopolistic structure of the economy and before privatization. Competition was “imported” by liberalizing foreign trade. We had to privatize the whole economy, not just several firms. We had to privatize without having capital and capitalists. And we had to privatize businesses as we found them and not, as some of our critics wanted, after bailing them out financially first. If we were to wait for the financial bailouts to happen, transformation would have never started and the economy would have collapsed.

We had to minimize inflation as well as the unavoidable and very sizable loss of output connected with such a radical change. The key to minimization of these heavy transformation costs was a radical opening-up of markets, supplemented by very cautious fiscal and monetary policies.

Our experience tells us that such a far-reaching economic shakeout is neither an exercise in applied economics nor a controlled laboratory experiment and that it is a rather long evolutionary process, not an overnight takeover. I hope we did not make many mistakes in initiating, influencing and partly controlling it. We can proudly say: “This is over now.”

Our experience with the EU is a different story – a story we are part of, but only as passive players. I am afraid that the American understanding of the European integration process is often very incomplete, to put it in a friendly way. What I usually see or hear here when it comes to the EU is an unstructured, unanalytical and to some respect almost naive pro-integrationist argumentation. It bothers me, because I consider the marching towards an “ever-closer” Europe (which is one of the leading slogans now) a mistaken ambition. If I am not wrong, the unification process in your country more than two centuries ago was not based on a formula of an “ever-closer America”, or an “ever-closer Union”, but – to quote your Constitution – on a “more perfect Union”, with an emphasis on the separation of powers and on checks and balances designed to protect freedom and democracy against the tyranny of the majority and of the government. This is not the case in Europe now.

The undergoing changes – the shift from intergovernmentalism to supranationalism as well as the shift from liberalizing and removing all kinds of protectionist barriers to a massive introduction of regulation and harmonization from above – represent a threat to our freedom. The EU’s welfare system, the EU’s protectionism, the EU’s legal and regulatory burdens on business, the EU’s quasi



“competition policy”, the EU’s pension and health care systems, the European Single Currency arrangements, etc. are very real. They result in the losing of democracy in favor of pan-European bureaucratic organizations located in Brussels that tend to restrain freedom, democracy and democratic accountability, not to speak about economic efficiency, entrepreneurship and competition. Compared to that, the Washington D.C. is a libertarian city. The EU becomes the embodiment of postdemocracy, which is something the free people should never accept.

It brings me to another problem which I see in environmentalism and global warming alarmism. This ideology turned out to be the most dangerous vehicle for advocating large scale government intervention and for suppressing human freedom.

I am frustrated that it has not been sufficiently challenged both inside and especially outside of climatology. Many people have doubts about it but remain publicly more or less silent. We keep hearing one-sided propaganda regarding the greenhouse hypothesis, but do not hear serious counter-arguments. The debate shouldn’t, however, stay in the field of climatology.



When discussing this issue, we should not accept dividing human beings into climatologists and lay persons. The global warming story is a complex problem and climatology is only part of it. In the broader context of economic measures and political decisions, the climatologists are very often non-experts. There is a specific role for economists and other social scientists to play. They should talk about the inexhaustibility of resources, including energy resources, on condition they are rationally used, which means with the help of undistorted prices and well-defined property rights. They should produce persuasive studies about the costs and

benefits of the currently proposed “green” measures and policies. They should prepare well-articulated and even to non-specialists understandable articles about the very complicated relationship between different time horizons (discussed in the economic theory by means of discounting). They should return to the elementary economic argumentation about the rational risk aversion (which would help us to reject the fundamentalist precautionary principle, used by the environmentalists), and to the discussion of the positive role of the market, prices, property rights and of the tragic consequences of the unavoidable government failure connected with the ambitions to do such things as controlling global climate.

The problem is that the whole process is already in the hands of people who are not interested in ideas and rational arguments:

It is in the hands of a group of climatologists (and other related scientists) who are highly motivated to look in one direction only because a large number of academic careers has in the last couple of years evolved around the idea of man-made global warming;

It is in the hands of politicians who maximize the number of votes they seek to get from the electorate on the basis of whatever idea they could profit from. And the idea of man-made global warming is very seductive,



politically promising and expedient. That is the reason why it is so much loved by politicians;

It is also – as a consequence of political decisions – in the hands of bureaucrats of national and more often of international institutions who try to maximize their budgets and years of careers regardless the costs, truth and rationality. The role of international institutions, especially of the UN, is decisive;

It is, finally, in the hands of rent-seeking businesspeople who are – given the existing policies – interested in the amount of subsidies they can receive and look for all possible ways to escape the standard functioning of free markets. An entire industry has developed around the funds the firms are getting from the government.

I will give an example. One, in his own words, “global business leader” founded recently the 3C Initiative (Combat Climate Change). Even his use of terminology is relevant. To combat is a term belonging to other issues. He wants – I quote – “zero emissions as a norm,” otherwise – and I quote again – “mankind will be headed for catastrophic change, human life as we know it will be impossible in many places around the world.” All countries must cooperate, if not, “there is a threat that the ultimate instrument of politics, armed conflict, will have to be used.” These words are incredible. He also innocently reveals his interests by saying that “this will be the greatest investment opportunity since the rebuilding efforts after World War II.” (1)

We have to keep repeating the basic questions of the current climate change debate. They include the following ones:

- 1) Do we live in an era of a statistically significant (and non-cyclical) global climate change? And is (or will) this climate change be really relevant? Will we feel it and suffer from it?
- 2) If so, is it dominantly man-made? Is it the result of the CO2 emissions and of human economic activity?
- 3) If so, should a moderate temperature increase bother us more than many other pressing problems we face and should it receive our extraordinary attention at the expense of many competing problems? Are current attempts to mitigate global warming the best allocation of our scarce resources?
- 4) If we want to change the climate, can it be done? And what will be the consequences of such ambitions of ours?

My answer to these questions is basically NO. I myself, of course, do not aspire to measure the global temperature, nor to estimate the relative importance of factors which affect it. This is not the area of my comparative advantages. But I do possess enough evidence to reject the allegations of contemporary environmentalists, that these questions have already been answered with a consensual “yes” and that



there is an unchallenged scientific consensus about this. To declare that is morally and intellectually deceptive. We know – with certainty – one thing. The consequences of climate changes – if there are any – will be solved, like any other changes and challenges in the past, by the market and human ingenuity, not by the government masterminding. They will be solved by technology, by growing wealth, by human adjustment, mobility and flexibility, not by government regulation and taxation. To summarize: yes to adaptation, no to large scale mitigation.

I am convinced that fighting for freedom and free markets remains the issue of the day. We may be, some of us, oversensitive in this respect but I am sure it is – in principle – not about our personal oversensitivity but about the real dangers we see around us. In the moment of the fall of communism, almost 19 years ago, I did not expect to experience such intensity and extensity of government intervention into my own life as I face now.

It may look like a pessimistic conclusion. It is not. It is a wake-up call. To make a change, but I mean a real “change”, not the one discussed in the American presidential campaign, we mustn’t be silent, or just contented in the “brave new world” of modern electronic gadgets, of internet and cable television, of easy and cheap long-distance flights, of holidays in the Caribbean or on the French Riviera, etc. We should not accept putting various manipulative ambitions ahead of freedom and free markets. We should not become helpless victims of new progressive “isms” and of political correctness. We should stand up for our good old beliefs and convictions. I suppose that is the motivation behind the Columbia Award. If so, thank you once again for giving me the opportunity to be here with you tonight.

Václav Klaus, Washington Policy Center Annual Dinner, Seattle, October 1, 2008

