Classical Liberal View on European Economic Integration†

by Peter Gonda

The classical liberal framework on European economic integration should be concerned with three major issues:

1 European economic integration is contradictory to the principles which guarantee individual liberty. It contributes to regressive economic performance and living standards in Europe in comparison with the more dynamically developing regions (e.g. in Southeast Asia or North America).[1]

2 The continuation of the launched and ongoing trend in the economic integration of Europe may only deepen these negative features.

3 The alternative, consistent with classical liberalism and conservatism, which might reverse the negative trend and bring the people more freedom and prosperity, is a return to the values which constituted the source of wealth of individuals and, thereby, nations in Europe in the past (for instance, in England during the second half of the 19th Century).

1 European economic integration against individual liberty and heightened prosperity

European economic integration is increasingly aimed against the natural principles in human life and individual liberty (mainly against the principles of free competition and diversity).[2] This is confirmed, although originally, it was based on four basic freedoms: free movement of goods, services, persons (especially as labour force) and capital. However, these freedoms are natural to humans in their voluntary relations, neither enforced nor given by governments nor supranational institutions. On the contrary, these were, and are restricted in the European Union (EU) to a certain degree – the temporary obstacles to the free employment of persons from new Member States in many old EU Member States confirm this. Therefore, the question appears to be, whether these freedoms were, and are the relevant basis for the foundation of the former European Economic Community (EEC) and the existence of today's EU.

From the very beginning of the European integration process, the main driving force of its 'founding fathers' was the creation of a common European State.[3] From the start, economic integration became, and it still is, more and more subordinated to political integration. The idea of the four freedoms and a customs-free area of free trade are being more and more overcome by the many regulations and other distortions, as well as by the centralization and unification of conditions within the Union.

Thus, two interlinked negative trends prevail today in the economic integration of Europe:

- transfer of system distortions (regulations etc.) from national onto supranational level;
- the 'from-above' (centralised) harmonisation of conditions in the Union.

The already mentioned trends – together with the policies of big governments, generous and costly social systems, high taxes and social contributions etc. – are the main reasons for the lagging behind of the EU as far as economic performance, degree of personal freedom and standards of living are concerned, when compared to some countries of Southeastern Asia (e.g. Hong Kong and Singapore) and for example, to the US. Only to illustrate and confirm it, I would like to mention the significant fall in ratio of economic performance in Sweden to USA, calculated by Gross Domestic Product (GDP) per capita, from 90.5 per cent in 1975 to only 76.5 per cent in 2004.[4] To a certain degree, there are two visible exceptions in the EU: Ireland, which carried out crucial economic reforms, and Luxemburg.[5]

Systemic Distortions Transferred from National Levels onto Supranational Level

However, most European countries are in a similar position with a wide range of government regulations and an excessive level of redistribution through government spending. EU countries have been shifting many of those distortions from national level to the EU level. The examples worth mentioning from among the distortions, which cause serious economic problems, are the following:

- regulation of trade and markets within the Union, such as quotas and minimum prices in agriculture (e.g. for sugar), regulation and restrictions on labour markets (restrictions related to working time, and other restrictions on the labour market), trade regulations within the Union (e.g. the restriction of the sale of bananas, tomatoes, cucumbers etc.), mandatory guarantee periods etc.;
- restrictions on trade with economic subjects from countries outside the EU (import and export quotas, licences etc.);
- subsidies to agriculture – nearly 50 per cent of the EU budget – with an impact on the lower efficiency of farmers and creating product surpluses and higher prices;
- subsidies to entities in 'underdeveloped regions' with the purpose of reducing the differences (in reality, not achieved);
- universally guaranteed social rights, the introduction of pseudo-principles such as 'social cohesion', 'social inclusion' or 'anti-discrimination' (for example, in employment affairs) to European and subsequently, to national legislative norms.

Centralised Harmonisation of Conditions within the Union

Moreover, many of these regulations and standards and other forms of policy have been introduced from the bureaucratic centre as mandatory, at least at the minimum requirement level. This is harmonisation according to the EU. The following issues have been most concerning:

- mandatory observance of technical, environmental, safety and labour-related and other administrative and technical standards;
- artificial European single currency and Economic and Monetary Union (EMU) binds the economies, not only via one fixed exchange rate, but also by means of a centralised monetary policy, the Stability and Growth Pact and by other conditions and commitments under EMU;

• minimal standards of social and tax level (e.g. minimally permitted rates for value added tax – VAT and consumption taxes).

It is a paradox that the harmonisation of conditions within the EU is aimed at creating a competitive environment for the single internal market. However, I consider it a logical mistake. Managed harmonisation (unification) from above does not boost the competitive environment and the competitiveness of the entities within the EU. On the contrary, it has an inverse effect. Such harmonisation causes an undesirable leveling and reduces the motivation to become better and more successful, restricts competition and the search for better conditions, thus reducing economic performance and the standard of living in the EU. So, centralized harmonisation and its aim of a more competitive environment not only impairs competitiveness, but it even goes against (the otherwise absurd) aim of the EU – an increase in competitiveness.

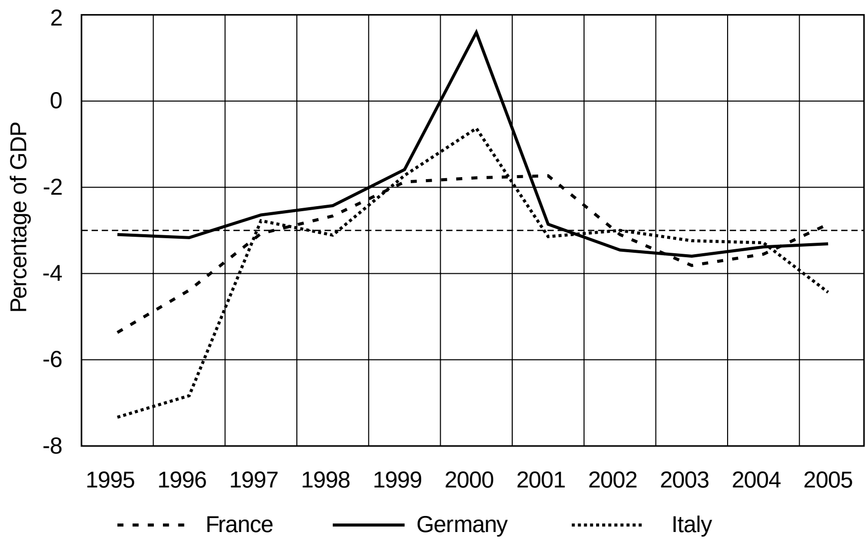
It has been forgotten that it is not harmonisation, but diversity (also of conditions) that is the prerequisite for competition. For example, the Professor of Economics at Université Paris-Dauphine Pascal Salin argues that "*… competition is possible and desirable whenever people are (trying to be) different and live in different conditions…*"[6] On the contrary, it is forgotten also that competition generates such diversity and differences among the people (for example, in their incomes), as are natural and necessary.

Centrally managed harmonisation is not necessary, and it is harmful for the functioning of the (single) market and economic integration. Therefore I am convinced that centralized harmonisation is the main false premise on which European economic integration is based.

2 Continuation of the Trend – Risks of Further Integration

The core problem of European integration lies in the social-engineering efforts of the centre aimed at generating conditions to minimise differences in the Union and for a real direction towards political centralisation. Before considering the future alternatives, it makes sense to evaluate what would be the impact of keeping the currently achieved level of economic integration.

Figure 1: Fiscal deficits in France, Germany and Italy as % GDP, 1995 to 2005



Source: OECD, 2006

Alternative 1: Status Quo

This questions the possibility of keeping the current situation, combining national fiscal policies with supranational Economic and Monetary Policy. However, this option motivates governments to shift the financial burdens of part of their programmes onto the European Central Bank (ECB). Because of this contradiction between them, the governments are not pushed to reduce fiscal deficits and what would be most desirable, to obtain a balanced budget. On the contrary, this enables, and leads the governments to increase fiscal indiscipline and to heighten fiscal deficits achieving 3 per cent of GDP or more. Worsening fiscal discipline after the start of EMU (1999) is evident in some of its core economies: France, Germany and Italy (see Figure 1).

Such 'fiscal free riding' or 'moral hazard in fiscal policies' can be seen across an increasing number of governments. This results in decreasing economic performance, increase in distrust and conflicts among the countries and, subsequently, in higher costs for keeping the Monetary Union in Europe functional.

These inefficiencies and costs are, and will remain, one of the main arguments for Euro-planners to defend an alternative of extending EMU through the European fiscal union and European social union to a Euro-State.

Alternative 2: Direction towards Euro-State

Therefore the most probable, and at the same time, most risky alternative in European integration is the development towards tougher political centralisation and the creation of the Euro-State with a Euro-federal government. It has been created gradually from the European and Economic Community (1957) through to the European Community/Union (1993), regulations and standards, Economic Monetary Union (1999), European fiscal union and European social union and the proposed European Constitution to the European Political Union (EPU).

The cornerstone has already been laid through the euro as a common currency and the EMU as a tool for political centralisation in Europe. Although it has been confirmed in practice that the monetary policies cannot be efficient at national levels and their impact on the economy is not significant, the decisions taken within the more centralised monetary policy (administered by ECB) will be even less efficient with regard to conditions in Slovakia than those taken by National Bank of Slovakia (NBS). Even today, the single monetary policy of the ECB accentuates the problems of some countries (e.g. of Germany, where the labour market is too restricted and the welfare system is too generous). The negative impact on (not only) the Slovak economy due to lower efficiency and more difficult control over a centralised and uniform monetary policy of the ECB constitute a real risk.

But the Eurocrats are unable to imagine a Union with several currencies. On the contrary, a single currency therein is neither a necessary nor economically justifiable prerequisite for the Union's existence. For example, the Professor of Economics at the University of California, in Berkeley, Barry Eichengreen expresses that "*the principle of the benefits of the single market can in fact be reaped with floating exchange rates between distinct national currencies.*" [7]

So, the next step towards the Euro-State is the harmonisation of other economic conditions, including conditions for the tax and social policies (leading to European fiscal and social union). Euro-planners argue – seemingly rationally – in economic terms when the urge for further unification of other conditions, including public finance, is understood to be a prerequisite for sustainable and relatively efficient existence of monetary union.

Also, no tax harmonization as a prerequisite for the common market is defensible. For instance, Pascal Salin says on the tax harmonization, that "*… as far as the economic theory and real world is concerned, there is no reason for Value Added Tax and income tax harmonisation. The citizens should decide, either by moving themselves or their savings, in which tax and fiscal environment they want to live.*" [8] For instance, the individual US states have different tax and welfare systems.[9] I tend to agree with Daniel Mitchell from Heritage Foundation who says that "*The USA is a common market and in spite of that indirect taxes are not harmonised. For instance Texas and California still have very different tax systems. And this is the problem of tax harmonisation in Europe. Nobody has explained why there should be a common free trade zone with different tax systems.*" [10]

The uniform tax and welfare systems in Union would mean an end to quasi-competition in tax reduction among the governments. For Slovakia, this would mean a pressure leading to higher taxes, a more complicated tax system and more costly welfare standards – in the worst case scenario, those based on German, French or Swedish models. The result would be significant costs (higher than in old EU Member States) for the businesses in Slovakia.

The last step towards European political union and the Euro-State is the European Constitution in whatever form it shall take. However, the approval of its recent draft would mean not only the strengthening of political centralisation and harmonisation, but also the strengthening of the regulations and positive social rights, thus higher costs for economic subjects.

The union, for instance, uses the Constitution to usurp exclusive rights in certain areas where only the Union may develop legislative activities and accept legal norms while Member States may do so only after being authorized by the Union. It applies to the Customs Union, Common Trade and Monetary Policy as well as on economic competition rules that are necessary for domestic market functioning. This might, along with the "*flexibility clause*" (defined in current version of *Treaty Establishing a Constitution for Europe*),[11] become an excuse for the harmonisation of anything. Moreover, the draft of the Treaty universally guarantees too many positive (social) rights without responsibilities for their recipients and without sources for their funding. "*Such rights represent the most important potential tension in the European Union.*" [12]

In case of its approval, the conflict between Monetary Union and the generous social standards and systems in Europe might escalate in the future. I agree with the ECB chief economist, Mr Otmar Issing, that: "*the European social model is in discrepancy with the requirements for EMU existence. The Social Union requirements according to the European pattern, lead to labour market regulation, however, Monetary Union requires the contrary: considerably higher flexibility of the labour market.*" [13]

If this alternative towards one common European state would prevail, then together with increased market regulations, 'bureaucratisation', centrally managed harmonisation and aiming towards the Union's federalization, it would mean increasing restrictions on competition and individual liberty. Also, it will lead to levelling, lower efficiency and reduction of productivity and flexibility of economic entities within the union. This would also increase the dependence of Slovakia on the Euro-zone and slow down (or even stop) the increase of economic performance and the standard of living of the Union's inhabitants.

However, such developments may cause significant negative responses and turmoil based, for instance, on aggressive forms of nationalism. Therefore, the Euro-State trend may become the source of uncontrolled disintegration of the EU.

3 Desirable Development Alternatives for Europe in the Future

Which alternatives are consistent with the values of classical liberalism, conservatism, and at the same time contribute to the economic and ethical revival of Europe?

I am convinced that these should be the alternatives aimed at getting as close as possible to the existence of such a European market which is based on:

- competition principles (for entities, currencies and also the quasi-competition of the tax systems of individual national governments);
- voluntary and diversity principles and;
- economic conditions without restrictions, regulations, standards etc.

Generally, it is possible to summarise several possibilities for a desirable strategy within European integration, based on the accessibility of free trade area within the community of autonomous European states.

Alternative 3: Free Trade Area within the union's Community of national states

The Free Trade Area, free of customs and other restrictions not only inside, but also with other countries worldwide, without any regulations and directives and with currency competition and unrestricted competition of goods and services might be not only a sufficient, but above all, successful form of economic integration. This should apply even more if their representatives would be able to agree with the North American Free Trade Area and jointly they would create a form of "*North Atlantic Free Trade Area.*" [14]

Politically, the area could be covered by the alliance of states, which would agree upon it voluntarily. For instance, Mr Václav Klaus, the President of the Czech Republic, called this an "*Organisation of European States.*" [15] Such an inter-governmental Europe would have neither common citizenship nor direct voting related to its government. The basic concept for representation would be the number of inhabitants. However, such a community should not have taxing authority, and the contributions of the Member States should be proportional to the weight of their representation.[16]

The creation of such a zone within the organisation of European states requires at least the following:

• refusal of any potential proposals for further steps of European integration, including non-acceptance of the European Constitution (especially when it is 'spiced up' with market regulations and positive social rights);

• cancellation of today's harmonisation elements (in taxes, welfare etc.);

• creation of conditions making currency competition in the union possible;

• gradual cancellation of the Common Agricultural Policy and Regional Policy of the EU;

• cancellation of all agreements within the union, starting with the Single European Act, cancellation of the European Parliament and other useless EU institutions;

• pushing for the cancellation of trade and market regulations, customs for non-member countries etc.;

• change of procedure for potential exit of any community member so that no consent of the remaining members would be necessary.

Alternative 4: Economic Integration outside the EU

Similar agreements and developments of such European integration are hardly conceivable and executable today in practice. Therefore, other alternatives are coming into consideration: the alternatives outside today's EU. This would be possible only by means of the exit of Slovakia or more countries from the current EU. Should only Slovakia exit the EU, then it should be reasonable to apply for membership of EFTA (European Free Trade Area, today consisting of Switzerland, Norway, Iceland and Liechtenstein). Should there be more countries exiting the EU, they might either constitute a new free trade area in Europe, free of regulations and under the criteria defined in the alternative 3 or join EFTA together.

Instead of a Conclusion

I am convinced that successful and useful alternatives for the people to European (economic) integration should be aimed at getting as close as possible to the roots of Europe's wealth from the past: individual liberty to go hand in hand with personal responsibility, free competition and property rights. Therefore, in the long term, I find it is useful for the people (not only) in Slovakia to look toward those economic and other integrations in Europe, within or outside the EU, which are based on principles of competition and the free market instead of centrally managed harmonisation and market and trade regulations created by the bureaucrats.

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1 The terms 'Europe', 'Asia' and 'America' in the context of economic performance and living standards are presented only for illustration. They, of course, mean economic performance and living standard of people living in these regions.

2 See the lecture 'Economic Liberalism: Natural and Beneficial' for more details *on principles of economics and economic liberalism* (Gonda, P. *Economic Liberalism: Natural and Beneficial*. A lecture at the conference of the International Club Liberal vs. Social-market oriented Economy. *Bratislava*, 9 May, 2006).

3 This even confirms the proposal of Winston Churchill for the foundation of the United States of Europe, made before the creation of European Coal and Steel Community during his speech in Zurich (Switzerland) in 1946 (see for example www.nrsr.sk/sub/sk/eu/info/zaklady.html).

4 Gross Domestic Product per capita, measured in power purchasing parity (source: www.oecd.org).

5 Relevant data are available for example on the web pages: www.oecd.org and www.heritage.org.

6 Salin, P. 'Private Property, Competition and European Union.' A Lecture at the conference of Liberal Institute. Prague. October 9, 2003.

7 Eichengreen, B. 'European Monetary Unification.' *Journal of Economic Literature* 1993, September issue: 1321-1357.

8 Salin, P. 'Private Property, Competition and European Union.' *A Lecture at the conference of Liberal Institute. Prague*, 9 October 2003.

9 For more details see for instance on the following web pages: http://en.wikipedia.org/wiki/Income_tax and http://www.heritage.org/Research/features/issues/issuearea/WelfareReform.cfm

10 *Americans Too Need Brave Stories.* Interview with D.J. Mitchell and R.W. Rahn. *TREND*, 29 May 2004.

11 It is certain that this clause does not go above the line drawn by the Nice Treaty.

12 See more for example in: Niskanen, W. 'Advice by a Friendly American on the Proposed Constitution for the European Union.' *Revista di Politica Economica* 2004, July-August: 19-28. See also: Gonda, P. 'European Constitution Against (Economical) Raise in Europe.' A lecture at the conference of the Conservative Institute of M.R. Štefánik (Slovakia) and Center for Economics and Politics (Czech Republic) *Why the European Constitution Should Be Rejected.* Presented in Bratislava, 11 October 2004.

13 O. Issing. 'A German Perspective on Monetary Union.' In: Gedmin, J. (ed.). (1997). *A Single European Currency?* Washington, D.C.: American Enterprise Institute for Public Policy Research. pp. 7-12.

14 The US submitted such proposal e.g. by Marian L. Tupy from the Cato Institute. See: Tupy, M. 'USA and the End of the United Europe.' Washington, D.C.: CATO Institute, 27 June 2004. www.cato.org.

15 Klaus, V. 'Why Europe must reject centralisation.' *Financial Times,* 30 August 2005, p. 11.

16 Niskanen, W. 'Alternative Political and Economic Future for Europe.' Lecture within *Conservative Economic Quarterly Lecture Series.* Bratislava, 8 December 2005.

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The European Single Currency – Why?

by Michal Petřík

How should we view the "*necessity*" of giving up the national currency and adopting the euro? What type of reasons should there be behind it? What can we discover when evaluating the "*birth certificate*" of the European single currency? Should an accession country formulate its own criteria or it is just worthless because everything that should be done is written in the relevant chapters of the EU Accession Treaties?

According to the international law (the Founding Treaties), the introduction of a single currency is an obligation for every EU Member State, with the exception of Denmark and the United Kingdom. The Founding Treaties are strictly setting the procedures, conditions and requirements leading to the introduction of a single currency.

Thus, a Member State is just an object of administrative treatment with very rigid and highly questionable rules. However, with such a crucial decision, a Member State should always be an active subject, freely displaying its own individual preferences and wishes.

Any new Member State of the Union can already in the accession process ask for any exceptions or adjustments to the Founding Treaties. This applies, of course, also to the single currency provisions. If this is not done in time (i.e. during the admission process) this chance is lost forever.

Economic remarks

The satisfactory convergence of the economic cycle is a condition *sine qua non* for any satisfactory introduction of the single currency. The obvious policy tools used by central banks for the expansive monetary policy are exactly the opposite for the restrictive policy. Here, the frequent mistake occurs: the European single currency is joined with the single monetary policy, but leaves the fiscal policy with the Member States.

This is not so: the conditions for the budget deficit and public debt are strictly fiscal conditions. The minister of finance of any Member State is simply not allowed (without strong consequences from Brussels) to propose to his/her national Parliament any state budget harming the 3 per cent limit for the budget deficit and 60 per cent limit for the public debt.

For the transition economies, especially in the recession period of their business cycle, this condition can be followed by a crucial economic and political aftermath.

In short, immediately after accepting the necessity to converge towards the European single currency (i.e. to fulfill the Pact of Stability and Growth criteria), Member States are loosing both realms of their economic sovereignties: the monetary one and the previous fiscal sovereignty as well.

When we refer back to the Maastricht Treaty, we can justify the big suspicion and clearly see that the single currency is constructed and treated as a purely political tool to construct the EU political identity on the international scene, as well as the introduction of a citizenship of the Union

Thus, this particular construction of obligatory convergence (given as an obligation by the Accession Treaties) is implicitly incorporating the rudiments of full fiscal, tax and thus political union.

Legal and economic requirements for the single currency are only secondary provisions. They are nothing but the consequence of economic and political ambitions and not vice versa. For example, the interest of the present EMU Member States that the newcomer will be really better off when accepting the single currency, is not at all a part of the single currency rules today.

On the contrary, these "*domestic*" or "*subject-dependent*" criteria could help to build a real economic project – it means a project without any result, known *a priori* before the relevant market interactions provide the answer of what exactly and how quickly something is going to happen, as grounding the possibility of adopting the common currency.

When we refer back to the Maastricht Treaty (Article B), we can justify the big suspicion and clearly see that the single currency is constructed and treated as a purely political tool to construct the EU political identity on the international scene, as well as the introduction of a citizenship of the Union. These are nothing but the properties of a federal state (common currency, common foreign and security policy, citizenship of the Union). Thus, the EU Member States are now still in the situation of achieving a single currency as a purely political goal, no matter what. In such cases, however, the price is obviously high.

The 'economic' instead of 'political' construction of the single currency zone would just offer a framework of economic conditions including the fulfillment of the subject-dependent (i.e. newcomer-dependent) conditions as the necessary condition to adopt the single currency.

No legal or political pressure (or even commitments) should be imposed on the single currency candidates. A fully competitive and working single currency zone can be created only on the basis of long term profitability of its Member States.

Therefore, adopting a single currency should express a double consensus:

- External: the present single currency zone agrees to accept a new member.
- Internal: the newcomer is firm that adopting the single currency is a good step and is in its own interests.

Conclusions – Why?

The European single currency is a purely political project. It is designed to be just a tool designed "*to promote economic and social progress and a high level of employment and to achieve balanced and sustainable development … through the strengthening of economic and social cohesion.*" These are purely ideological goals and declarations applied to the Member States of the European Community on a federal basis.

The European Central Bank, European Commission, the European Council and the Council of Ministers have thus the supreme task to achieve the economic and social progress in the EU through the establishment of economic and monetary union, including a single currency.

Even in such a strict legal framework, a Member State without legal exceptions and special treatments can achieve its goal, no matter how divergent it is from the single currency provisions in the Founding Treaties. (Consider the case of Sweden still not applying to become the member of the ERM II system.) The costs and benefits of directly and indirectly violating these rigid rules should be carefully observed.

Without being exceptionally skeptical to the durability of agreements, let's admit that everyone swearing to stay "*together forever*" can end up splitting. This is an obvious and rational assumption. Without transparent and sound subject-dependent consensus on adopting the single currency, the single currency zone has very fragile foundations.

And as no Empire, Reich or Superstate is here to stay forever, the European single currency zone is not going to last forever either. Unfortunately, the costs of such disintegration are going to be much higher than in a situation where such a zone was based on the proven mutual profitability.

The European single currency zone is currently based on the fulfillment of a rigid political and ideological assignment. That's why the euro was founded. The single currency can be seen as just an economic tool for achievement of a political goal: create *ceteris paribus* a federal European structure without checking the fulfillment of the relevant economic, social, political and financial conditions.

Such a construction of the common European currency under any price then shows that the very end price to be paid will be really high. Obviously, it will be much higher than in the situation when the membership in a single currency zone was based on economic criteria of optimum currency areas.

The price of the Maastricht-like single currency zone can be expressed in terms of:

- lost output (GDP);
- higher unemployment;
- imported increase of interest rates;
- loss of fiscal sovereignty;
- and thus bringing economic, political and social discomfort with all possible aftermath to the instability of a country.

Defining the obligation of single currency adoption in the EU Founding Treaties looks like putting the carriage before the horse. Regardless of the possible absence of political will to give up the national currency, the EU Member States are expected and obliged to do so.

Those, who are already the 'members of the single currency club', could, of course, mutually compete in two different and directly contradictory disciplines. They may want to be: (i) the 'best students in the class', or; (ii) the 'best free riders.' Then, they become quite different reference groups.

(i) The single currency zone 'free riders': the governments strongly dependent on its own citizens have, by definition, the disposition to hide excessive public debts or state budget deficits by various methods of creative accounting and budgeting. Alternatively, they try to minimize the consequences and penalties for such debts and deficits, even when the common EU rules are violated. The cases of Greece, Italy, France and even Germany bring forward very clear evidence.

(ii) The single currency zone 'best students in class': the EU single currency zone Member State can, of course, benefit from the nominal privilege of being the best or one of the best countries complying with the Maastricht criteria. This can, of course, increase the overall position and reputation of such a country and/or its government. The capitalization of such a reputation is however a question of democratic accountability. Is this government listening to the interests of its own citizens expressed in the democratic process at the national level? Or are the members of government seeing their future personal benefits at the EU level?

The "*best pupil*" paradox: according to many observations, some EU Member States (best example may be the UK) are, according to the Maastricht criteria for the single currency, in a much better position then other states. The record of the UK is considered to be really exceptional – however, this country does not wish to become a member of the single currency zone, in fact a member of a class where this country is a best pupil. Is this striking? No, on the contrary, such a situation is clear evidence, that a country ready to refuse the Maastricht-like single currency commitments in the Founding Treaties is just a country with a strong democratic accountability of its national representation making its own decisions and clearly refusing to take the position of a passive object in some converted programs and criteria.

If the country is a passive object of convergence criteria and programs, it is loaded with a burden of tasks and obligations taking it towards the EU and single currency zone, and deprived of its independent power to decide whether or not to apply to the single currency zone.

Thus, the only way to eliminate these inherent deformations of the Maastricht-like single currency zone is to give back to the EU Member States their own sovereign power in order to be an active partner, enable the genuine subject to willingly taking the responsibility for the completion of the single currency commitments or willingly refuse such a project. The EU Member States should not have an obligation to explain to someone else why they refused to participate to the project of single currency zone. The democratic accountability of any EU Member State government should never be eliminated or by-passed by such a high degree (as in the Maastricht Treaty) of commitments for such a government.

The present construction of the EU single currency zone based on the provisions of the Maastricht Treaty is an example of unprecedented political experiment, not respecting the fundamental principles of democratic integration of the sovereign countries. The Maastricht single currency rules do not introduce a regular monetary integration. Rather, they represent a forced monetary unification *from above*, based on administrative, legal and institutional enforcement tools, not on the double-coincidence of the needs of existing single currency zone members and the newcomers.

The Maastricht-like single currency zone has been built so that the EU Member States are deprived of their basic sovereign right to decide whether or not the entry to the single currency zone is convenient for them. Without the Maastricht treaty, the single currency zone would perhaps exist sometime in the future, but definitely in a radically different form and based on absolutely different rules. What the Maastricht Treaty does is to rigidly eliminate possible future single currency zone elements, which would not be consistent and compatible with a federalist and unifying model of an "*ever-closer*" EU. This single currency zone, based on the Maastricht Treaty, is here only to bring the EU federal State sooner to 'the Europeans', even if the Member States citizens may not wish so.

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Communist Law: the worrying situation in Europe

by Ljubo Sirc, CBE

The second leader article in *The Sunday Times* of 15 April 2007 reads "*… the end of the cold war turns out to have been little more than western wishful thinking. And like history, the cold war seems to be repeating itself. Once more chill winds are blowing across steppes and over the rest of the world, perestroika and glasnost are little more than memories.*" [1]

Simultaneously, the West is allowing itself to be undermined by communists disguised as 'Social Democrats' and 'Liberals'. On 3 April, the *Frankfurter Allgemeine Zeitung* printed an article on restitution of property in the Czech Republic, which concludes: "*Europe should pay attention so as to not allow the legal culture in the European Union to be affected by the Czech treatment of law.*" The article accuses "*a mafia*" of persecuting people but it appears that it is a mafia of communists disguised as Social Democrats.

The author of the article printed in *Frankfurter Allgemeine Zeitung* is right to be afraid that the 'Czech' treatment of law could spread to the European Union and the Council of Europe. It has happened now. In Slovenia, the President of Slovenia in the 1990s was Milan Kucan, earlier the President of the Communist League, old style Secretary General of the Communist Party of Slovenia. He saw to it that up to this day all judges of the Constitutional Court have been faithful communists and have judged accordingly.

This situation has come about because apparently the German 'experts' on relations with the Soviet Union went all soft when communism collapsed and made it possible for East German and other communists to pose as 'good democrats'

What is worse, the European Court of Human Rights (ECHR) has by now become so infiltrated by communists that it is quite willing to declare any complaint against the 'judgements' by the Slovene Constitutional Court staffed in this way 'inadmissible' without further ado. The Slovene judge of the ECHR is an old communist who considers normal European law to be "*yuppi law*".[2]

This situation has come about because apparently the German 'experts' on relations with the Soviet Union went all soft when communism collapsed and made it possible for East German and other communists to pose as 'good democrats'. As a consequence, in the Federal Republic of Germany, former secret policemen are treated better than their former victims.[3]

What is worse, many Communist Parties simply changed their name to the Social Democratic Party and became affiliated to Socialist International. It is almost too much to remember that, in the past, the communists were persecuting real social democrats and even killing them as 'class traitors'. In fact, the first man murdered in Slovenia in 1941 as a 'class traitor' was a social democrat.

Similarly, the Liberal International was misled by the German 'experts' to fraternize with communist youth who declared themselves to be Liberal Democrats. This most certainly happened in the case of the Union of the Social youth of Slovenia, which changed its name and became a member of the Liberal International. The Slovene Liberal Democratic Party was, however, so extravagant that it fell apart in March 2007 – after which, several LD members simply changed back to Social Democrats.[4] Commenting on these moves, Matej Makarovic, a Professor of Sociology, wrote in *Delo* on 11 April that this did not happen because they were not politically disciplined, but precisely because they accept political discipline under the influence of "*strong informal social networks,*" in other words, under the influence of an underground communist organisation.

Communists, disguised as members of the Socialist and Liberal Internationals play interesting games. Part of what was called at the beginning "*the repetition of the cold war*" is Putin's attempt to throttle the EU by making it dependent on Russian energy and Russian delivery pipes.[5] In this manoeuvre, members of the Socialist and Liberal Internationals are of a great help. Take Romania, in which *The Economist* reported that the Romanian liberals (presumably members of the LI) have broken with the conservative Democrats and are planning to govern together with the Hungarian minority and with the tacit backing from 'the ex-Communist Social Democrats'. The purpose of this manoeuvre appears to be to help Putin to extend his pipeline to Hungary in direct competition with Europe's own plan to build the Nabucco pipeline from Turkey to Austria. The Hungarian minority is a link to another member of the Socialist International, the Hungarian Social Democrats under Gyursany, who is keen on supporting Putin. The German Social Democrat Schröder is already helping him by presiding over his North Stream pipeline.

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It seems that by now the genuine Social Democrats and genuine liberals have been so boxed in by the communists that they do not know what to do except continue playing Lenin's 'useful idiots'. It is time they woke up and remembered that 'anti-Americanism' is not their main aim in life. Maybe, they should also remember Bevin and Scumacher and reconnect with their fellow democrats in opposition to totalitarianism. The Liberals should perhaps think back to Willy Bretscher and Don Salvador de Madariaga.

1 'Beware. The claws are there.' *Sunday Times*, 15 April 2007.
2 Ljubo Sirc. Memorandum: 'European Rule of Law in Danger'.
3 Bojan Pancevski. 'Secret world of German spies is now on map – and tourist trail.' *Sunday Telegraph*, 8 April 2007.
4 See *Delo*, 21 March 2007.
5 See *The Economist*, 14 April 2007, p.37.

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