

# THE XIII GOTTFRIED VON HABERLER CONFERENCE

## The Economics and Politics of Interventionism

The XIII. International Gottfried von Haberler Conference took place on May 19, 2017 in Vaduz, at University of Liechtenstein. The event was organized and hosted by

**ECAEF – European Center of Austrian Economics Foundation.**

The Conference gathered well-known researchers, experts and writers who support Austrian school of economics. Dr. Oleh Soskin and Dr. Nadiya Matviychuk-Soskina were among the participants of the event. Economic Annals-XXI Journal was an information partner of the Conference.

### Opening

**H.S.H. Prince Michael of Liechtenstein** (*President of ECAEF - European Center of Austrian Economics Foundation, Chairman of Geopolitical Intelligence Services*) gave a welcoming speech to the participants and outlined the agenda of the conference. Economics and politics of interventionism have become especially acute after the 2008 economic crisis and prove inability of national governments to solve fallouts of the crisis even applying drastic measures to entrepreneurship in all its modern forms. Prince Michael of Liechtenstein argued that when the governments become large entrepreneurs themselves as a result of massive re-nationalisation and widespread market prices' regulation, they will destroy free entrepreneurship and put all the efforts to win completion with private capital. Such a situation is dangerous and leads to unfair state-centralised systems of different forms. He concluded that risks of free market restrictions are high today and the new ways are to be found and instruments applied to overcome the economics and politics of interventionism.

### Session I:

#### On Monetary and Economic Interventions

**Peter A. Fischer** (*University of Berne, Switzerland, and University of Kiel, Germany*) was a Chair of the Session I. He pointed out that interventionism of the governments in the years 2007-2015 grew much in the world. He exemplified Switzerland to stipulate his view, where 1/5 of all the property is already owned by the state, 1/3 of all the employees work in the public sector, and 50% of all the market prices are in one way or another are regulated by the government. Despite numerous governmental promises to execute deregulation, the result was creation of new public organs which monitor deregulation and no practical effects so far. Peter A. Fischer considered that to overcome a shortage of political willingness towards a real change, Swiss government should look at Liechtenstein as an encouraging example of non-interventionism.

**Joachim Starbatty** (*Professor Emeritus, University of Tübingen, Member of the European Parliament*) gave a speech «**On the Abuse of Monetary Policy**». He stated that monetary policy of the central banks leads to overinvestment in the world. He pointed to the existence of circle of creating and re-creating bubbles in the markets. The main problem with today big business, Professor Starbatty argued, is existence of numerous «zombie-banks» and «zombie-companies» being continuously bailing out and rescued by the state institutions. The same situation is observed with the countries, and the first to mention is Greece which was not allowed going bankrupt and has become a symbol of «currency socialism» so far. Joachim Starbatty concluded that continuation of non-grounded support for unviable entities of all levels and forms creates replication of shocks for economies and societies for extended periods.

**Johan Norberg** (*Senior Fellow, The Cato Institute, USA, European Centre for International Political Economy, Belgium, and Board Member, The Mont Pelerin Society*) presented a speech «**Subsidies: When «Free» Comes at High Cost**». He proved his statement about the hidden costs of subsidies with the idea of Ludwig Von Mises that government cannot create something from nothing: «Government spending cannot create additional jobs. If the government provides the funds required by taxing the citizens or by borrowing from the public, it abolishes on the one hand as many jobs as it creates on the other. If government spending is financed by borrowing from the commercial banks, it means credit expansion and inflation. If in the course of such an inflation the rise in commodity prices exceeds the rise in nominal wage rates, unemployment will drop. But what makes unemployment shrink is precisely the fact that real wage rates are falling.» (Mises, 1947). Johan Norberg argued that government penalises economically efficient subjects to support inefficient ones which would turn in less wealth and prosperity to society as a whole. He proposed politicians firstly to invest their own money to publicly supported projects. A speaker gave an



example of Germany which has invested so far over 48 billion euro of public money to support solar energy projects of domestic firms, however, in 2013 it became obvious that without 77% tariff rise for Chinese solar panels the Germany-produced panels would not be competitive in the market. Without government intervention, he concluded, transition to green energy would have happened much faster in Europe. In such a way, the main problem with subsidies at individual and corporative level is not what they cost, but what they buy, disrupting the natural powers of free market.

*Session II:*

**Interventionism Undermines the Legal Framework**

**Beat Kappeler** (*Honorary Doctor of Economics, independent writer and journalist, Switzerland*) was a Chair of the *Session II and Session III*. He introduced the core problems of interventionism at EU level and singled out the issue of independence loss by the national governments as a result of ever stronger centralisation of powers in Brussels which fundamentally contradicts the values of independence, democracy and free markets European nations have once been standing for. In his opinion, functioning on the basis of EFTA (including free flow of goods, services, capitals and people) without intervention to each other's internal policy is much more feasible to European countries and in line with liberal democratic values. Dr. Kappeler also expressed support to Brexit and forecast that the Great Britain would pull out one EU regulation after another. It could show a new way to the development of the European project.

**Carlos Gebauer** (*a renowned criminal lawyer and advocate, writer, Germany*) made a presentation themed **«The Flood of Rules creates Injustice»**. He proposed the reasonable answers to the questions: what the reason of the chaos of regulation is and why it appears as a result of good ideas. Carlos Gebauer emphasised the difference between the «right» and «law» arguing that the latter is a result of artificial and often ungrounded perception of social needs by the governments. Nowadays, he said, laws may contradict natural rights and traditional ways of coping with a wide range of issues in the society. Flood of laws and regulations actually make citizens rather insecure than secure before the face of the state and produce injustice and manipulation on the highest levels of power execution.

**Terry L. Anderson** (*Doctor of Economics, Hoover Institution, Stanford University*) presenting a speech **«On Environmental Regulations, Private Property and Free Markets»** said that humans as well as nature are dynamic, hence, environmental regulations should address modern needs of people. Dr. Anderson focused his presentation at the environmental lessons of such prominent scientists of Austrian school economics and Nobel laureates as Ronald Coase and Friedrich von Hayek. Terry L. Anderson singled out the main theses of R. Coase on environmental issues as follows: 1) people compete for the environment; 2) costs are reciprocal; 3) property rights regulate who pays the costs.

Environmental lessons from F. von Hayek: 1) knowledge on environment is dispersed; 2) without pricing we cannot know the value of the environment; 3) existence of environmental market and prices solves many problems of environmental usage regulation.

Terry L. Anderson then talked about «enviropreneurs» who are entrepreneurs that make price and money out of environmental issues and create new property rights. The enviropreneurs may, firstly, help farmers who have different perception of environmental usage depending on the kind of agri-activity to deal with «natural» conflicts. Secondly, they can change the way community uses the natural resource and in such a way resolve a natural counterbalance within a certain territory. Thirdly, the enviropreneurs can conserve nature at clear rules at the territories with property rights. Terry L. Anderson concluded that combination of property rights and entrepreneurial initiative is the best way of creative solving of many environmental issues, and effective solutions introduced by enviropreneurs prove it.

*Session III:*

**Some Adverse Effects of «Social Engineering» and Censorship**

**Erich Weede** (*Professor Emeritus, University of Bonn, Germany; Member, The Mont Pelerin Society, and Founding Member, Friedrich von Hayek Society*) opened his speech **«How Much Redistribution Can Democracy Withstand?»** with the statement that democracy is the process where powers are passed from one people to another to make important decisions. He concentrated at representative democracy, and singled out three key points in regard of it. Firstly, in democracy, one people rule the others, however, human beings make mistakes all the time, and «power is ability not to learn». Secondly, interests of the politicians may differ from people's ones. Thirdly, there is a chance of stilling public money by the politician elected.

Prof. Weede next argued that people are interested in the institutions which create and preserve wealth and welfare, hence, society needs ownership rights to productive capital. At the same time, he mentioned, nowadays, social payments in the western democracies skyrocketed, amounted for up to 30% of GDP. Welfare state redistributes the wealth to less productive, making underproductivity a new norm. Erich Weede stated that democracy has become a model of society where 10% of population pay the main load of taxes, whereas 90% have the same right to vote and decide how the taxes will be redistributed. In his opinion, redistribution we observe is not a fair one. It aims at the preservation of power by the ruling political class.

Prof. Weede considers that today democracy undermines its own pre-requisites doing large redistribution which should rather be left to charity organisations than burden the government, while true effectiveness of it has not been proved yet. Erich Weede concluded that democracy cannot survive the current level of wealth redistribution under the existent form of welfare state.

**Karl-Peter Schwarz** (*Senior Political Correspondent for Central and South-Eastern Europe, «Frankfurter Allgemeine Zeitung» daily, Germany*) spoke on the topic **«Fake News? Does Political Correctness Censure Free Journalism?»** He started with the thesis of F. Hayek that public servants, journalists, teachers and artists have high influence on the society, and it is especially dangerous when they become socialistic. He proved the difference between truth and news presentation itself, and showed how news information then becomes influenced by certain political views of journalists or editors themselves. Moreover, nowadays the problem of credibility is determined by competition for the auditory as far as we entered the era of post-truth.

Karl-Peter Schwarz said that political correctness is widespread in media and journalism today, as it once was and still is in the communist countries. Socialists of today, he asserted, are no longer culturally Marxists but anticapitalists of different kinds. They embraced various ideas of ecologism, genderism, feminism and so on. Such new socialists use political correctness as a tool of social engineering against capitalism. They learned how to act at universities as well as use scientific methods to build a so-called «better world». Karl-Peter Schwarz concluded that fake news is often produced with the purpose of modern invisible indoctrination of society, and political correctness is a tool on service in that system.

*Farewell address*

**H.S.H. Prince Michael of Liechtenstein** (*President of ECAEF - European Centre of Austrian Economics Foundation, Chairman of Geopolitical Intelligence Services*) thanked to the participants and closed the Conference.

*Scientific Review by*

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