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Old Europe Is Late For the Capitalist Ball

By RICHARD RAHN

Old Europe -- France and Germany -- is suffering through an economic malaise not seen since Jimmy Carter's America of a generation ago. But we shouldn't give up on them yet. A quarter century after Margaret Thatcher and Ronald Reagan began their crusades for high-growth economic policies in the U.K. and the U.S., a quiet movement is underway in the old EU for radical economic restructuring.

In the vanguard of the movement is a consortium of new free-market think tanks. On Feb. 6 and 7, the Stockholm Network -- a working group of European free-market think tanks -- and the Centre for the New Europe sponsored a conference in Brussels, ending with a formal Capitalist Ball in the Brussels Bourse. The consortium -- along with providing a central point for scholarship and forward thinking, is helping to commend and publicize the achievements of Europe's new wave of free-market leaders. At the ball, former prime minister of Estonia Mart Laar was given the Adam Smith Award in recognition of his contributions to the principles of the free-market economy.

Those principles seem a distant memory for France, Germany and Belgium these days. Reminiscent of the U.S. and the U.K. in the late 1970s, economic growth is not only low but continues to fall. Socialist thinking, even when not so labeled, is pervasive among the government bureaucrats, the ruling elites, and the media establishment. These governments have become timid and afraid to exercise moral or military leadership against obvious tyrannies -- no Ronald Reagans or Margaret Thatchers are to be found. Political and economic vacuums tend to be filled, and these new European intellectual centers are attempting to do just that.

Prime Minister Thatcher and President Reagan succeeded, in part, because they were able to draw on the scholars and experts from the free-market scholarship that was coming of age in the U.K. and the U.S. back then. The Mont Pelerin Society, formed by Friedrich Hayek, Milton Friedman and others in 1947, became the breeding ground for the development of the modern day, limited government, free-market think tanks, more formally known as public-policy organizations.

The Thatcher government relied heavily on the Institute for Economic Affairs (IEA) in London, as well as The Centre for Policy Studies, a Conservative Party think tank, and several other independent public-policy institutes in the U.K. The Reagan administration drew heavily from ideas and experts in the Heritage and Hoover Foundations, as well as the American Enterprise, Cato Institutes and the ACCF Center for Policy Research.

The success of these organizations in influencing economic policy encouraged others around the world to create similar institutions. Sir Anthony Fisher, who had been instrumental in the development of the IEA, went on to form the Atlas Economic Research Foundation which, in turn, helped create and support other free-market groups around the world.

Some of us, who were involved in the economic transition in Eastern Europe and the former Soviet Union, helped establish free-market think tanks in former communist countries. (In the Balkan countries alone there is a vibrant collection of free-market groups known as the Balkan network, some of whose members from Montenegro and Bulgaria participated in the Brussels conference.) Many countries of the world now have one or more free-market-

oriented economic think tanks. The U.S. now has dozens, as many have been formed to deal with state or regional issues.

Unfortunately, old Europe lagged in the formation of truly independent free-market-oriented economic-policy organizations. Some countries have economic think tanks that are affiliated with a political party, such as the Konrad Adenauer Foundation in Germany, and the Progressive Policy Institute in the U.S. (Democratic Party affiliation). Party-affiliated think tanks are useful, but they are often reluctant to criticize party officials or be innovative in ways that do not conform with the existing party ideology. The scarcity of independent free-market think tanks in old Europe contributed to the lack of challenge to conventional wisdom.

This, in part, explains why economic growth rates in old Europe have averaged half those in the U.S. for the last 20 years, and unemployment rates have averaged more than 50% higher than the U.S.

The Social Democrats and Socialists who have controlled the governments of old Europe have done their best to build impediments to the development of these independent institutions by taxing their contributions, and restricting their access to the state-controlled media. In contrast, the U.S. has always encouraged the creation of nonprofit organizations, by making contributions to them tax deductible.

Despite the impediments, a number of highly talented and courageous young Europeans have finally managed both to create and find funding for free-market think tanks. Some of the funding for these organizations, and the Brussels conference, came from multinational corporations who know all too well that stagnant economies are not healthy for their stockholders, employees, or customers. They understand that one of the best ways to obtain change is to encourage honest debate about economic-policy alternatives.

The Brussels conference was titled, "Is Socialism Dead?" The ideal of socialism is certainly dead among thoughtful, rational, and informed people. Unfortunately, all too much of the world, including many of the young in developed countries, is ignorant of history and the failures of all forms of socialism (communism, Fabian socialism, national socialism, fascism, utopian communes, kibbutzim, social-welfare statism, etc.), and hence discredited ideas keep coming back.

State ownership is now somewhat out of fashion, so the new emphasis is on state control (much like the fascists), which can be seen in some forms of radical environmentalism, and the attempts of old Europe to stop tax competition and their demands for financial information sharing. It is the same old tune of state supremacy, while denying individual property rights and liberties.

The rise of the free-market public-policy organizations is the most encouraging response to the old state order. Perhaps at least in one way, France and Germany will soon be able to leave the whisperings of "Old Europe" behind.

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