

## Václav Klaus Interview

Peter Robinson: Welcome to Uncommon Knowledge. I am Peter Robinson, shooting today at the Ronald Reagan Library in Simi Valley, California. Born in Prague in 1941, during the Second World War, Václav Klaus grew up in the Communist Czechoslovakia during the Cold War. After earning a Doctorate in Economics, he pursued a career in academia and at the Czechoslovakia State Bank. Immediately after the Velvet Revolution of 1989, Mr. Klaus entered politics. A founder of the Civic Democratic Party, he served from 1992 to 1997 as Prime Minister of the Czech Republic. In 2003 he was elected President a position to which he was reelected last year. Mr. President thank you for joining us.

Václav Klaus: Thank you.

Peter Robinson: Segment one, November 9, 1989 where were you when you learned that the Berlin Wall had been opened.

Václav Klaus: Well I was definitely in Prague, in my country and for us it was one of the successive events which started in the middle of the year 1989 and one week, one month after another there was one important achievement, one important event. So at that moment for me, the Berlin Wall just part of the change, nothing specific, dominant.

Peter Robinson: When did you sense that an opening would take place, when did you know that things were finally afoot?

Václav Klaus: Well I think the second half of the 1980's was already a situation when things had been changing. It had accelerated and during 1989, the whole year and then I think the first real thing was the formation of the new Polish Government after Polish negotiations and that was something I understood as a real change.

Peter Robinson: We are celebrating the 20<sup>th</sup> Anniversary of the Velvet Revolution which means I am afraid that nobody under the age of about 30 has any real knowledge of the system of which you grew up. For the sake let us say of my children or your grandchildren, what do they need to understand, what do they need to grasp as a historical liberality about life under Communism was like?

Václav Klaus: I think it is very difficult to explain to people how the life under Communism was. I see that my children, my older son is 40 years old so he was 20 in the moment of the full Communism and the younger is 35 which means he was 15. I think they both understand very well. But they are lost who understand and I even the difference between my older and my younger sons because the 15 year old understands it a little bit less I must say. So I do not have very often mistaken about the possibility to explain to the people now as you put it below 30 what was it really – difficult. We tried to do it permanently, we tried to do it at schools, there are many programs on TV, nevertheless, I think it is difficult.

Peter Robinson: I have heard you say, Mr. President, that two facts about the end of the Cold War are true. The first is that Communism was rotten within. But the second was

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also the actions of other governments, particularly Reagan and Thatcher were vital. Explain. For us as Americans the relevant weight of that is important to try to grasp.

Václav Klaus: I am an economist who always tried to have quantitative results, but in such a complex system to be able to say exactly what was the relative of individual factors is difficult. The crucial, crucial thing definitely, was the internal. The Communism, I always say Communism collects, Communism sort of melted down, Communism was not almost I would say defeated even if some of my compatriots are not happy with that, because they think they are the heroes who defeated Communism. So Communism was already too weak, soft, old and deprived all meaning. There was even nobody who defended, seriously, Communism. I was joking in the 1980's that there are, when some foreigners came and asked me do people really believe in Communism, my answer, not now exposed at that time in the 1980's answer was look, I am absolutely sure there are more true believers in Communism and Marxism at the University of California Berkley than in the whole community of Czechoslovakia. So there was no one really believing. The people who tried to defend the ideology and the system as such, it was almost a non-existent grouping. So, the system was sort of weak and so the person was only, what should be the last draw, what should be the last thing to happen, definitively the Communist bosses did not want to voluntarily give up and they understood that it was wrong and they now go ahead, definitively not. The only real internal force in all the Communist Countries was the Polish Solidarity. I know that there are individual well known more abroad than at home citizens in the countries like my country, but they were not able to create the real movement.

Peter Robinson: Solidarity stands alone

Václav Klaus: They will connect in this respect Solidarity stands totally different, a different level. So the real mover in this respect was the tough position of people Ronald Reagan and Margaret Thatcher who pushed Russia, very complicated situation and they succeeded in this respect.

Peter Robinson: Segment two Mr. President, Europe today, Treaty of Lisbon, document dating from 2007, the Treaty will a President of the European Union and restrict the ability of National Governments to veto certain EU actions. Let me quote you to yourself – two quotations. President Václav Klaus in 2005 “In Europe we witness the crowding up of democracy by post democracy a bureaucratic unification of the European continent that shifts government upwards to the level where there is no democratic accountability and the decisions are made by politicians appointed by politicians, not elected by citizens in free elections”.

Václav Klaus: Did I say it in such a nice way.

Peter Robinson: You said it beautifully yes.

Václav Klaus: Thank you very much.

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Peter Robinson: President Václav Klaus, last month “The train has already traveled so far that it will not be possible to stop it or turn it around.” What happened?

Václav Klaus: Well, one thing whether speaking about the method of the train, is the second quotation was about the ratification of the Lisbon Treaty. In this respect, I think it was already too far and

Peter Robinson: Twenty-six of 27 countries that already ratified it and you were the last one.

Václav Klaus: Plus passes strong pressure inside the country from all those involved closely this various benefits coming from the European Union difficult. So that quotation was meant, I must say more to the ratification of the Lisbon Treaty than to the long term developments on the European continent in this respect I must be optimistic and we know that we have to go on. There is no end to history, there is no end of changes in this respect, I am not that pessimistic. But for the time being, the fighting for the Lisbon Treaty was impossible even if I know that majority of Europeans is not happy with that Treaty, no one country dared to make a referendum about it because it was absolutely sure that in many countries of the EU. I recently met an important Ambassador from an important western European country who came to say hello after completing four years in my country and I would not say who was that, but he said well in our country it would not be possible to make a referendum, it is absolutely people, absolutely clear that a majority of the people would kill the Treaty.

Peter Robinson: For Americans of course our National Sovereignty is a given matter. It is not a complicated issue at all. It is difficult, I guess what I am asking you to do as the President of a country that lives within the European Union, but at the same time immensely values its own sovereignty how do you see this, this famous quotation from Mrs. Thatcher in which she warned against we did not reclaim our liberties only to lose them to a super State in Brussels.

Václav Klaus: Well this is, you could find similar quotations given by me. I feel they are similar in this respect. This is several dimensions, the first one, we live in a very oppressive regime which was controlled not from our own capital in Prague, but it was controlled from Moscow. We lived this out any sovereignty, I sometimes say we lived without borders because I would not call the Iron Curtain a border. Methodologically, it was not a border in a standard sense of what the term border means. So, after the fall of these, we speak now about the Berlin Wall or the Iron Curtain, well I would have enjoyed to spend the rest of my life with normal borders. We were deprived of having passports and the ability to travel to the United States of America or I do not know where to Spain or Sweden. So for me to have a valid passport was the ability to cross the border to spend 30 seconds showing my passport? That would have been sufficient. I do not need the European Unification and Schengen Agreement and no borders in Europe and no passports in Europe which means that I can take my car and go today from Prague to Lisbon as you go from New York City to Los Angeles. So, I am unhappy also with that. The third point is that the Americans usually do not understand what we mean by

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criticizing the European Unification. They say well we are in United States of America so why are you so unhappy with the possibility of United States of Europe. We live now after the ratification of the Lisbon Treaty in the United States of Europe even if it is called differently, but that is not the point, the substance is really, really such. So, the Americans really have problems understanding and I tell them look you, if I am not wrong, you have been trying for last decade or more to form another integration, you call it NAFTA, is the integration with Canada and Mexico, I think you know many problems, but can you imagine that someone would tell you that to have three independent currencies; the U.S. dollar, the Canadian dollar and the

Peter Robinson: Peso

Václav Klaus: Peso, that it is a wrong idea so what about making one single currency called Pesodollar or something like that or naftor

Peter Robinson: Right

Václav Klaus: Naftor would be a great idea. They look at me are you serious, I say I am serious, this is exactly what is going on in Europe these days. Would you be ready to get rid of your government and to create a different government in which would be government for all the three countries together. Then when I try to argue around those lines, the Americans seems to me start to grasp a little bit my criticism of it. If I may at one point I had recently a visitor in Prague, by the way I met him two days ago or yesterday, Vice President Biden and we discussed the various issues and one of them was Lisbon Treaty and European Union. I tried to explain that situation and then I used something I argue very often. I tread to tell him at the beginning, the European integration process was a positive idea. Opening up, liberalizing

Peter Robinson: Liberalizing trade

Václav Klaus: Removing barriers, the borders of individual countries, free movement not only of goods and services, but of people, ideas, cultural and everything. That was really great. All of us either were not able to participate because of Communism, but otherwise I am not so sure that my country would have been one of the Founding Fathers of this European project after the Second World War. But then it turned to something else, during the 1980's and especially in the 1991 is the so called Maastricht Treaty and I told Vice President Biden the integration turned into unification. We were talking for one hour and then he put pencil a piece of paper from his pocket and put integration versus unification. Thank you very much. This gives the insight into this process. So I am and people like me this is not, we are no different than Nationalism or isolation or we live in a semi-arctic isolated semi-closed system in the Communist Era. So for us the opening of this is the main idea of our current life. But to differentiate between integration and unification it is probably a helpful instrument.

Peter Robinson: Mr. President, Segment three, you mentioned one Vice President, let me quote another Vice President. Former Vice President Al Gore "The vast majority of

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scientists agree that global warming is real”. Now let me quote you again. President Václav Klaus “Global warming is a myth and every serious person and scientist says so”. What do you know that Al Gore does not?

Václav Klaus: I do not what know he knows. I do not believe that he is that much interested either in science or in economics of global warming, politics and so on. He is interested as a politician, he simply understood the idea of global warming is an excellent political idea. When someone fights climate he looks very unegoistic, very altruistic, forward looking. The politicians have been searching for such a beautiful idea for decades and they finally found that idea so this is a cheap argumentation. This is great, you promised something to cut down the CO2 emissions in the year 2050 by 20%, 30%, 50%, 80%. Now I have 120%. The same politicians are saying it in a couple of years it is so easy to know that you have four years term which terminates in the year 2010 and you promise to do something in the year 2060, 2080, that is absolutely crazy, you will not be taking the responsibility or nobody would remember. I remember G8 meeting in Germany, some two years ago and they made the promise, eight leaders, made the promise to cut emissions by 50%. Now it is a lost idea, 50%, now everyone wants more. Fifty percent in the year 2050. Out of those eight politicians, three lost their office in two weeks time. Again, it is so easy to make such promises

Peter Robinson: Could I? Communism in the old days, global warming today, here is the question, is there some deep permanent status temptation in western culture? Are they related or is that unfair?

Václav Klaus: No, no, no, I would qualify the question a little bit. You cannot compare Communism with global warming. You must compare Communism with the ideology of environmentalism or the ideology of global warming alarmism. There is a difference. Global warming is not a reality

Peter Robinson: Objectively verifiable or not.

Václav Klaus: It is verifiable issue, it is difficult to define. It is another issue. We are talking about two ideologies and in this respect they are structurally very similar. They are against individual freedom, they are in favor of centralistic master minding of our fates, they are both very similar in telling us what to do, how to live, how to behave, what to eat, how to travel, what we can do and what we cannot do and so on. There is a huge similarity in this respect. But the similarity of ideologists, not similarities of whether there is some warming or not.

Peter Robinson: Segment four, economists and Head of State how did you become a free market or at least devoted to the principles of free markets, studying economics in a Communist regime. How did that happen?

Václav Klaus: Well I studied economics in the Communist regime first and I studied in the still very dark Communist days. Nevertheless which means I studied Marxist politics economy. Nevertheless I entered the Institute of Economics of Czechoslovakia Academy

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of Sciences and paradoxically I entered the department as a graduate student which studied not Socialist or Communist economics system, but which was supposed to criticize the capitalist system and to criticize the Marxist economics serious. SO that was my job more or less. So I was supposed to study them, understand them.

Peter Robinson: First you studied Capitalism

Václav Klaus: They paid me for

Peter Robinson: They paid me.

Václav Klaus: They paid me for studying it so I came into that field and I got the text books and I tried to fully understand it then I started to discover the criticism of Sam Ellison's approach. I discovered Hyack, Milton Friedman, Steve Glare and Gary Becker

Peter Robinson: You became a Chicago boy.

Václav Klaus: All those people so it was on the one hand the question of my studying economics and it was not studying Communism economists it was studying American authors. I always tried to explain to the Americans that in the dark Communist days, it was a miracle to get from someone who came from abroad one copy of *Time Magazine* or *Newsweek* that was already something and I read it from the first page to the last page. I read book reviews and things like that. But all the time in the library of the Economics of the Czechoslovakia Academy of Sciences it was possible to take the American economy review general political economy and review of economics and statistics and so on. So for me to study such a sophisticated scientific quarterly journal was possible. But the second source of my being in favor of free markets was the experience the life under Communist regime and you immediately, you understood how irrational the whole system is and in this respect that was even as important as the articles you studied.

Peter Robinson: Mr. President, we have to change the tape, I want to ask about your flat tax.

Václav Klaus: No, for the people no, no, no. No we had flat one, no, no.

Peter Robinson: If you Google on you, in English, over and over again, you will that you instituted a flat tax.

Václav Klaus: I have been fighting for a flat tax for many, many years I was campaigning for a flat tax.

Peter Robinson: Ready to go. Okay let me ask my question, incorrectly and give you the chance to explain it, is that all right? Mr. President, in January, 2008, I understand you enacted perhaps your signature achievement in office a 15% flat tax, have I got that right?

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Václav Klaus: No, but that was not the 15% flat tax on personal income, it was the flat tax on the income of the enterprises. So, it was not the

Peter Robinson: It is like a VAT, a flat value added tax?

Václav Klaus: No, again, another thing is like that is not good, let us stop it, you know.

Peter Robinson: It is too complicated.

Václav Klaus: So, there is either, we will do what you call the income tax, but you have a personal income tax and you have the income tax on the profits of the enterprises. So in second category, enterprises have flat tax, but this is all over the world, this is not the real flat tax.

Peter Robinson: Oh, I see, here is what I am getting at, here I have seated across from me, a man with a Doctorate, deeply dedicated to free markets with a detailed professional economists understanding of the importance of free markets, and the Heritage Foundation's 2009 Index of Economic Freedom ranks the Czech Republic 21<sup>st</sup> out of 43 European nations. So there is greater economic freedom according to the Heritage Foundation in Denmark, Switzerland, the United Kingdom, the Netherlands, Germany, Austria, Spain. So the question is how can this be?

Václav Klaus: Well, I

Peter Robinson: Mr. Marcus I am sure that if you were Lee Kwan Hu if you were in charge of your economy the way Lee Kwan Hu were in charge of Singapore, no.

Václav Klaus: Singapore is not a democratic economist so

Peter Robinson: This is my question.

Václav Klaus: He was able to achieve something.

Peter Robinson: Now that you have experienced democracy for two decades.

Václav Klaus: Yeah

Peter Robinson: Are you sanguine about the prospects of democracy producing truly free markets?

Václav Klaus: Well, two issues, the first one is I am a big supporter and friend of Heritage Foundation and founder but I totally methodologically disagree with their index and with the similar index produced by Frazer Institute in Vancouver. I was fighting with Michael Walker for years that its methodology is absolutely wrong. So, I am not discussing the ranking of the Czech Republic, I think that the methodology of those indices is simply not good. I would never look at the results of those results it has

absolutely no meaning for me. So it does not mean that I am happy with the degree of freedom in the

Peter Robinson: Economy

Václav Klaus: Economic freedom in the Czech Republic or in all other European countries, but I disagree with those international comparisons.

Peter Robinson: Is the experience of the United States and even more so of Western Europe inevitable. That is to say the constant ratchet, the expansion of the welfare state, can that be, this is what I am really asking I suppose, after two decades as a democracy, what is your opinion as an economist and a political practitioner?

Václav Klaus: First I still think that the economic freedom in my country is bigger than in western European countries and that I am absolutely sure. But, the real problem is that first decade was a radical increase of economic reform. Every measure we introduced at that time was aiming in that direction. Then slowly the process of approaching the European Union started. Then I remember sitting on the Cabinet meeting and discussing the draft of a Bill prepared by Minister of something and we were discussing whether to send it to Parliament and standard issue was, I said well if you look at the paragraphs number 22, 23, 24 again unnecessary regulation, unnecessary control, unnecessary bill critic institution introduced because of that Bill and then the relevant cabinet member usually, usually answers. Mr. Prime Minister I am sorry we did not have it in the original draft of the Bill, but then we compared with the obligator your legislation and we understood that we have to include this. So we are now, ten years ago, I started to say we are importing Socialism from the EU.

Peter Robinson: Mr. President, I am getting signals that your time is rapidly diminishing, you have been extremely generous with your time, thank you. May I ask two final questions? They run as follows: 1989 it seemed that some kind of decisive victory for freedom had been achieved.

Václav Klaus: Definitely.

Peter Robinson: It seems to me however, it could be argued, well Russia today could be argued as less democratic than it was 15 years ago, say five years after in Mrs. Thatcher's United Kingdom, her own party, the Conservative Party, has made an accommodation with large elements of the state. Here in the United States is the principle political movement at this moment is not towards freer markets, but toward bigger government. Would you have expected that 20 years ago?

Václav Klaus: No, I must say that as I already suggested in our talk that the first post communist decade was in this respect a very positive decade the second is already much worse in all of us, all of us reintroducing Socialism, reintroducing government intervention in all of, it is not mostly because of the social ideas, social policy ideas, but it is now because of many other politic re-correct ideas and the environment is one of the

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issues. For me the global warming debate is another disaster which could lead us to a very controlled system.

Peter Robinson: Final question. We mentioned earlier that nobody under the age of 30 has any working memory of what the Communist regimes were like. For your grandchildren, for my children, if you could reduce the lessons of the Cold War to one or two sentences, what do they need to hang on to? What do they need to understand and grasp about that experience?

Václav Klaus: I must say I do not know. I have five grandchildren and the oldest is 12 years old. The youngest seven years old, no six years old. I do not know how to explain to them, it is more the role of the parents than of grandparents and then the grandparents are President of the country and do not have enough to speak with them. Nevertheless, I think they

Peter Robinson: When your 12 year old turns 18, you will be out of office, you will sit this child down and say, listen you must understand this about my life.

Václav Klaus: Well 12 years old would now listen to this interview of mine and would try to understand what I was talking about. When I see him I know that he is trying to do that already now. So maybe he will understand it.

Peter Robinson: President Klaus of the Czech Republic, thank you very much. I am Peter Robinson for Uncommon Knowledge and the Hoover Institution, thanks for joining us.