



LUDWIG VON
MISES INSTITUTE
EUROPE

ANNUAL REPORT
2020



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1. PRESIDENTIAL ADDRESS

Nobody will ever forget the year 2020. While 2019 was dominated by the elections in the European Parliament (at least in Brussels), 2020 was dominated by the epidemic.

In that year also the presidential elections in the US took place: that was quite exciting. The mood was balancing between hope for a change and fear that nothing would change-in case Trump would stay. He coloured outside the lines. He didn't fit the picture, surely he did not fit in the European policy line. In fact his behaviour was most peculiar, but sometimes effective: in North-Korea or concerning the position of Israel, but his most disastrous vice was the turmoil he caused. The population in the US was restless and concerned and that had to be stopped.

The troubles and difficulties are surely not over yet, but superficially noticed, it looks like the order has returned, although the world has changed enormously.

The impact of COVID on the rule of law and the civil rights, has caused a conflict between the two opposite poles: security versus freedom, which is still not solved yet.

That had its consequences for everybody. For the Institute it meant less events and since 2021 a totally different form of events: Welcome to the era of Zoom!

Until March we organised two high-level conferences, entirely live:

“Artificial Intelligence, Future Economics and Emerging Technologies” in the European Parliament with Dr. Carvalho, MEP

“Analyses of the daily financial situation of the EU from the point of view of the theories of Austrian Economic School” at the University of Antwerp

Then, while respecting the Covid rules, there were more events, like the LVMI General Assembly 2020, a Get-together of Members and Alumni and a conference on Future Federalism. Those latter events have taken place in Holland House



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A new publication can be announced:

In 2020 a new publication has been started. The book will have as title: "The Austrian School of Economics in the 21st Century" The publisher will again be Springer Verlag and the publication will be in 2022.

To indicate the content:

The Austrian school has developed a variety of concepts, such as marginal utility and in terms of opportunity cost, which has had a strong influence on the neo-classical (mainstream) economic theory. Because of their aversion to mathematical models the 'Austrians', however, are referred to as heterodox, especially since the rise of econometrics in the middle of the twentieth century. Their ideas are normally considered to be outside the mainstream economics.

However, many theories of the Austrian School of Economics did become an accepted part of mainstream economics already, like "marginalism in price theory", "Subjective theory of value", "economic calculation planning".

The book is divided in the following chapters:

Part I A short introduction to the theories of the Austrian School

Part II The Austrian School. Finance in the 21st century

Part III The Institutions

Part IV The future

As soon the book has been published, you will certainly be kept updated!

Enjoy the reading!

Annette Godart-van der Kroon, President and founder of LVMI Europe



2. ABOUT THE INSTITUTE

2.1. Aim and who we are

The Ludwig von Mises Institute-Europe was officially established on October 12th, 2002 as a nonpartisan think-tank fostering an open and free society. It bears the name of Ludwig von Mises, one of the most prominent liberal economists of the whole XX century, and one of the main representatives of the Austrian School of Economics.

The Ludwig von Mises Institute-Europe primarily **aims** at:

- **Exchanging and promoting** the principal ideas and merits of Classical Liberalism with a particular focus on the ideas of the Austrian School of Economics;
- **Acting** as an interface between top academics, senior business leaders, respected media commentators and leading politicians across the EU and in Brussels;
- **Teaching** young professionals and students from all over the world about classical liberalism in addition to the workings of the European Union;
- **Connecting** world-wide liberals and organizations at national and international levels.

Since its foundation, the LVMI-Europe has successfully organized a variety of conferences, symposia, discussions, targeted dinner debates and lunch debates, discussing topics such as the role of the EU, Knowledge & Innovation, Transatlantic Relations, Tax Competition, better Regulation, Islam and the EU and the FTT.

The Ludwig Von Mises Institute - Europe is dedicated to bridging the gap between believers in the free market across artificial boundaries that often divide academic, business, and political circles.



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Members include former Prime Ministers, MEPs, Commissioners, key politicians, senior academics, business leaders and prominent journalists.

The Ludwig Von Mises Institute - Europe has as the sole objective to create prosperity for every individual, while initiating new and unaccustomed ways of analysis and debate in order to ensure Europe's future prosperity and security in the global village.



2.2. Educational Programme

Internships at the LVMI – Europe are not only for European students, but also for students from **all over the world!**

Interning at the LVMI – Europe equips students with the essential skills needed in a competitive European Union. Such skills include data, research, website management and event coordination in addition to writing reports for the Newsletters and Annual Report. Partnerships with the Universities of Leiden, Bologna, Cagliari, Lille, Tampere, and Brussels (VUB/Vesalius) enable both student engagement and education about legislative processes, policies, and improved knowledge about classical liberalism.

Intern-Exchange Program

LVMI -Europe is launching its brand-new Intern-Exchange Programme

Young employees (“potentielle Nachwuchskräfte”, “young talents”)

This would be realised in exchange for and (as a part of) a sponsorship, with the option to become a corporate member and participate in the LVMI network across Europe.

- The opportunity to provide their interns with additional valuable experience in the EU environment through organising and participating in LVMI – Europe’s events.
- Increase the attractiveness of their intern positions and add value to their potential future employees.
- Provide the interns with exclusive access to events organised by other think- tanks, NGOs and both national and supranational institutions, while familiarising themselves with the Austrian School of Economics.
- Gain higher recruitment value and expand LVMI-Europe’s corporate network.
- Increase attractiveness to companies and create valuable synergies.

Based on this cooperation between LVMI - Europe and your organisation you can



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- Develop long-term and sustainable cooperation programmes to meet the strategical, operational and financial targets of your company
- Enhance the attractiveness of the talent management programmes
- Lay the foundation for an improved pan-European understanding & thinking within the German and European SME's.
- Get close to and more involved in the activities and potentials of the European Governance

Package

- Individual Mentoring programme for each participant organised by the LVMI.
- Accommodation organised by the LVMI-Europe.
- Direct access to numerous conferences, debates, training programmes, organised by and paid for by the LVMI- Europe.
- Full integration in current LVMI activities and programmes
- Introduction to individual stake holders in the European Parliament
- **Costs & benefits:** 1.000 € net per month per participant and months (min. 1, max. 3 months) Free Annual Corporate membership per participation of a young talent.
- Internship program

a) Internship period:

- A minimum of one to three months

b) Intern responsibilities for Candidates:

- To assist and network while organizing conferences and dinner debates to be held by LVMI Europe
- Participate in other important think tanks' conferences in Brussels



- To establish links with the civil society, media, business, politicians, the EU institutions as well as the European Parliament that will enable LVMI Europe to influence future policy initiatives
- To communicate with LVMI Europe's Patrons, Sponsors and Board of Directors
- Liaising with the EU institutions and especially EU Parliament which the intern will also be expected to attend.

c) Selection criteria for Candidates:

- Have a degree or comparable education in an industrial/business environment.
- Being proactive and interested in communicating with a wide range of people
- Having good analysing, marketing and networking skills
- Having a good knowledge of English. Second languages like German or French in particular are an advantage.
- Willing to gain experience of working in an office environment
- Being an organised and independent individual

The LVMI - Europe has a longstanding international experience with such programmes through our co-operations with well-known universities, like:

- A continuous contract with Vesalius College, Brussels
- The American University
- The Free University of Brussels, and Partners 4 Value: UNDP Lithuania.
- University of Tampere (Finland)
- University of Bologna, University of Cagliari and the University of Padua (It)



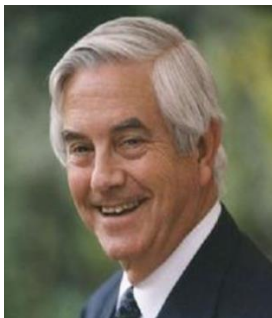
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2.3. Patrons and honorary members

- *High Patrons*



Fritz Bolkestein: former EU Commissioner, The Netherlands



Herman De Croo: Minister of State and Honorary Speaker of the House of Representatives, Belgium



Mart Laar: former Prime Minister of Estonia



Alexander Graff Lambsdorff: Deputy Chairman of the FDP Bundestag Group, Germany



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Alexander D.A. Macmillian: 2nd Earl of Stockton and
Chairman of Macmillan Publishers, UK

- *Honorary Members*



H.S.H Prince Philipp von und zu Liechtenstein:
Chairman LGT Group Vaduz



Dr. Hanns-Martin Bachmann: former Director of the
Representation of Hessen to the EU, Germany



2.4. The Boards

- *Board of Directors*

President: Annette Godart - van der Kroon, LLM, Belgium

Secretary: Philip Close, Orange Business Services in an Account Associate, Belgium

Treasurer: Nuno Lebreiro, MA and MPhil, University of Leuven, Belgium

Prof. Dr. Marc Cools, University of Ghent, Free University of Brussels, Belgium

Ulrike Haug, Director Sempre Avanti, Germany

Prof. Dr. Jesús Huerta de Soto, University Rey Juan Carlos, Spain

Andreas Jahn, Head of Politics, International Market and Public Affairs BVMW (Bundesverband mittelständische Wirtschaft), Germany

Filip Smeets, Area Manager Seris Security, Belgium

- *Advisory Board*

Prof. Dr. Hardy Bouillon, Professor of Philosophy and Economics at the Swiss Management Centre University

Lord Kamall of Edmonton, Professor of International Relations and Politics at St Mary's University, Twickenham, UK and member of the House of Lords

Luis Teixeira da Costa, Former Head of Unit - Transport Policy, General Secretariat of the Council DG E IIA

Max Rangeley, Editor and Manager of the Cobden Centre, UK

- *Editorial Board*

Jure Otorepec, University Ljubljana, Slovenia

Dr. Brendan Brown, Economic Research, UK

Pawel Dziedziul, University of Bialystok, Poland

- *Academic Board*

Prof. Dr. Gerd Habermann, Secretary General of the Hayek Institute, Germany



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Prof. Dr. Frank van Dun, emeritus Professor University of Maastricht, The Netherlands

Prof. Dr. Arturas Balkevicius, Associate Professor Faculty of Economics and Business Mykolas Romeros University, Lithuania

Prof. Dr. Christos Diamantopoulos, University of Athens - Greece, National School of Public Administration, Greece



2.5. Our Past, Present and Future Partners

The Ludwig von Mises Institute-Europe has co-operated and is co-operating with the following Institutions:

- University of Leuven, Belgium, (2002)
- Institute for Economic Growth, (2003)
- Egmont Institute (former IRRI-KIIB), (2004)
- SME Union, in cooperation with Euro Commerce, European Enterprise Institute, Konrad Adenauer Stiftung, SME Global and Loyens, (2005)
- Microsoft, (2005 and 2012)
- Stockholm Networks, (2006)
- EU-Russia Centre, (2007)
- Hayek Institute, Belgium (2007-2008)
- Turgot Institute, France (2007-2009)
- Friedrich-Naumann-Stiftung << Für die Freiheit>> (2003 - 2013)
- University of Bologna, Italy (2006 -)
- University of Leiden, The Netherlands (2008 -)
- JTI, (2008)
- Novartis, (2008, 2010)
- University of Cagliari, Italy (2009)
- University of Tampere, Finland (2009 - 2011)
- The Institute for Economic Studies, the Foundation for Human Education, and the Mises Youth Club, (2009)
- Itinera, (2010)
- Hayek Institute Vienna, (2010)
- Taxpayers Association Europe (2008, 2010)
- Schuman Associates (2010)
- The University of Lille France, (2011)
- Vesalius College (VUB), (2011 -)
- The Institute for Urban History for East Central Europe + The Lviv Regional Institute of Public Administration Ukraine, (2011, 2013)
- Instytut Misesa, Poland (2012 -)
- UNDP, Lithuania (2012 -)



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- UBI, United Business Institute (2012 -2014)
- GoldMoney Foundation, (2012, 2019)
- New Direction, (2014)
- EPICENTER, (2015)
- YES, (2015)
- BVMW, Bundesverband Mittelständische Wirtschaft (2015, 2019-)
- Austrian Economic Center (2016 , 2017, 2018-2020, 2021)
- Mitsubishi, (2015 - 2018)
- Swiss Mises Institute (2016-2018)
- Open Europe, (2016 - 2017)
- Cobden Center (2018-)
- Atlas (2020-)
- The American University (2021-)



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2.6. Ludwig von Mises Institutes in Europe and Beyond

Ludwig von Mises Institute Barcelona

Ludwig von Mises Institute Brazil

Ludwig von Mises Institute Czech
Republic

Ludwig von Mises Institute Estonia

Ludwig von Mises Institute Finland

Ludwig von Mises Institute Italy

Ludwig von Mises Institute Poland

Ludwig von Mises Institute Portugal

Ludwig von Mises Institute Romania

Ludwig von Mises Institute Russia

Ludwig von Mises Institute Switzerland

Ludwig von Mises Institute Turkey

Ludwig von Mises Institute Ukraine





3. EVENTS ORGANIZED BY THE LUDWIG VON MISES INSTITUTE – EUROPE

3.1. Artificial Intelligence, Future Economics and Emerging Technologies

Organised by: Ludwig von Mises Institute and The Cobden Centre

Date: 20th January 2020, 4.30 pm – 6.00 pm

Venue: The European Parliament (Room A3G2), Rue Wiertz 60, 1047 Brussels

Speakers:

- **Mrs. Annette Godart-van der Kroon**, President of the Ludwig Von Mises Institute – Europe
- **Mrs. Maria Carvalho**, MEP-EPP-ED Group
- **Mr. Max Rangeley**, Editor and Manager of The Cobden Centre
- **Mr. Julio Alejandro Hernandez**, CEO of Jada Consulting
- **Mr. Stephan Moritz**, Managing Director of European Entrepreneurs

Mrs. Godart cordially welcomed event participants and introduced the Ludwig von Mises-Institute mission and its esteemed cohort. This was followed by a forthright transition into the event topic of artificial intelligence (AI) due to its relevance and impact in the future. While the breadth of the subject was acknowledged it was specified that Blockchain was to be the focus of the event.

Blockchain enables one-to-one financial transactions, eliminating intermediaries such as governments and banks, on an extensive and highly secure network of computers. As such, the potential for corruption and/or data breaches is near null for the entire system is decentralized. Thus, Mrs. Godart stressed the role and future of Blockchain in international banking, wondering which country would pioneer a fully-fledged Blockchain financial system - and whether Europe should follow suit.

Unrelated to Blockchain but in the same category as AI, the issue of face recognition technology was briefly touched upon as well. Mrs. Godart explained



how the database of Clearview AI, a face recognition software for law enforcement agencies, is made up largely from individual's personal information including their photos from the internet. She referred to an Internet Legislation professor who stated that such a practice is illegal in Europe, indictable under European GDPR regulation. The EU has already begun preparing an initiative to regulate such use of the technology, with a supposed proposal of a bill to prohibit face recognition in certain public spaces for at least five years – during which the risks of the technology are to be studied.

Mrs. Godart concluded her welcome address on the 2030 threat of the Chinese Republic as a superpower in the AI field, challenging audience members to reflect on what Europe can do: "propose to counteract that aim or (should we) co-operate, which will mean a sacrifice of Western values and more?".

Mrs Godart concluded by mentioning the challenges to be expected in the future. Especially the uncontested, avowed aim of the Chinese Republic to be the superpower by 2030 in the field of Artificial Intelligence. What can we do in Europe: propose to counteract that aim or should we co-operate, which means a sacrifice of the Western values and more? In no case should we accept to have the same position as the Chinese citizens: according to their system the behaviour of the citizens will be recorded and according to the connecting rating system, people get an education or not, a house or not etc.

Mrs. Carvalho emphasized the necessity of including diverse research and ethical principles in the policymaking-political process, particularly as Europe faces complex emerging technologies and technological and research advancements conducted in other competitive regions.

Mrs. Carvalho divided her speech into three parts: the link between technology, politics, and policymaking; the ethics in emerging and disruptive technologies; 2020 Europe and the European Institute of Innovation.

The rapid development of technology is a well-known truth, but what is often overlooked, is its expansion of the research sector where the number of papers and researchers have equally exponentially grown as well. The volume of studies



published daily, on just AI, makes following the topic a challenge. In addition, the standard and amount of research and development from China alone on such a field as AI challenges global hegemony and the traditional divide of knowledge between the Global North and South.

Given such circumstances, Mrs. Carvalho stressed that policymakers and politicians need to base their work in the best available research of the time and in (European) ethical principles. Politicians, for who and what they represent, should also incorporate the dimension of their own respective political ideologies as a means of socio-politically translating the cut-and-dried proposals from policymakers.

Mrs. Carvalho outlined the research and ethical evaluation instruments that are already in place that take effect on EU policies; these are the Commission's Science Advice mechanism and the Parliament's European Parliamentary Research Service. Under Juncker's administration, the European Group of Ethics in New Technologies was established, by which an ethics evaluation group specifically for AI functions within. From this, Mrs. Carvalho stated that ethics should always spearhead legislation, rather than being used as a metric incidental to implementation.

As a rapporteur of the European Institute of Innovation and Technology (EIIT), Mrs. Carvalho explained that Horizon Europe will share the same pillars as its predecessor, Horizon 2020, of the European Council, the European Innovation Council and the EIIT. Some of the issues it has been focusing on, is climate change, health, food, and ICT. Two new topics are to be added, one of which has already been decided (creativity and culture industries) – and Mrs. Carvalho expects water to be the other chosen topic. Horizon Europe aims to also be more transparent in its geographical distribution and inclusive in its information gathering.



Mr. Rangeley debriefed the basics on AI in an accessible way in order to discuss the future of AI in the workplace as well as how its economics may impact global superpowers and hegemony.

The image of the dystopian world ruled by AI that is commonly portrayed was discarded as Mr. Rangeley distinguished the different kinds of AI by the algorithmic setup of their respective programming and codification abilities. Mr. Rangeley briefly contextualized the development of AI to inform the audience that, as of the time of this event, the technology is at the curve where it 'self-learns' through what is known as contextual adaptation. In the way that self-driving cars learn how to drive, contextual adaptation means machines learn their seemingly independent functions through observation, repetition, and codification. The other kind of AI is described as the 'third wave of AI', distinguished by its ability to learn in an individual instance, as opposed to repetitive exposure. Such a technology is still in development.

However, Mr. Rangeley noted that the third wave will not threaten society and increase unemployment rates to 50%. In contrast, such a high-performing level of AI is likely to rather increase productivity rates as organizations utilize this technology to automate repetitive and computation-based processes. Tasks that are creative, original and innovative by nature will continue to be occupied by people. Mr. Rangeley emphasized the importance and necessity of the third wave increasing productivity rates as such rates have been measured to depict stagnation in recent times. This is reflected by millennials being the first generation to have less wealth than their parents, following the industrial revolution. Mr. Rangeley also pointed out that a similar trend of the exponential productivity and growth observed following the industrial revolution has not nearly been reached by the current system of AI.

Mr. Rangeley anticipates the future of development of AI to shift global hegemonic powers in economic and military directions, which are likely to be largely influenced by research and development including investments with technology. It is currently estimated that four-fifths of global venture capital for



AI is going to the USA and China. China, as a growing leader, is expected to be the pioneer of the technology by 2030. It is important to consider the multi-functionality of AI however as not only an economic phenomenon but to intersect it with security, the medical field and banking purposes, to name a few. For example, with respect to security, the People's Liberation Army National Defense University in China said that war will move from "systems confrontation" to an "algorithms competition", suggesting that military power will come from superior algorithmic processes, as conflict moves towards being information-driven rather than bloodshed. As such, Mr. Rangeley emphasized that AI, as commonly seen, is not monolithic but instead a multifaceted technology.

Mr. Hernandez expounded his idea of the future based on the concept and implications of blockchain, AI, biotechnology and various principles from Libertarianism and the Austrian School of Economics.

Mr. Hernandez explained his point of view as follows:

"In today's world, the government monopolizes the creation of money and laws. Bitcoin, rather than a technology, electronic money or an investment of money represents the decentralization, de-monopolization, denationalization of money, and deterritorialization of the economy. Bitcoin ideological principles, discussed by Ludwig von Mises since 1929, stated in Friedrich Hayek 1976 "Denationalization of Money", and Milton Friedman famous video of 1999, were consumed in 2008 by Satoshi Nakamoto.

Bitcoin represents the separation of Money and the State. Using the same analogy, Mr. Hernandez explained how Smart Contracts will separate Laws from the State, and, Decentralized Autonomous Organizations (DAOs) will separate Governance from the State, and Blockchain Startup Cities will separate the legal jurisdictions of a country like 'Belgium', 'Mexico', 'Nigeria', or 'China' from the monopoly of authorizing the creation of independent city-states and future jurisdictions".

Mr. Hernandez challenged the audience to reflect why they oppose monopolies but validate Government having a monopoly upon the creation of money, laws,



people classification, police and military enforcement, and the ownership of territories and exhorted them to code, invest, encrypt, develop, and build disruptive technologies rather than hypothetically debating its possible application or use.

As a means of both eliminating monopolies and encouraging the use of blockchain and cryptocurrency, Mr. Hernandez proposed a free market economy where competition is relative to the dynamics of each organization's respective currencies".

In today's world, the centralization of information and of the creation of money, the decentralization of the cryptocurrency system represents a growing dichotomy that is leading to an incompatible web of systems. The open source technology behind blockchain and cryptocurrency continue to be anonymous at large which inherently challenges regulation and surveillance. However, upon weighing in on the value of personal freedoms, Mr. Hernandez explored how cryptocurrency, such as Bitcoin, can be empowering as it essentially separates the creation of money from governments. Mr. Hernandez explained how such economic decentralization could manifest in the future: private organizations would be able to establish their own forms of currency and trade policies rather than political currencies such as the Euro being traded with. This is currently evident with Facebook having recently set up their own currency called Libra. Mr. Hernandez asserted that he is not championing the decentralization of laws or constitutions but rather affirming a societal system that is individually contractual and consensual. This can eliminate many of the bureaucratic structures and policies that limit holistic international free trade and migration. Additionally, databases that are typically government-secure can become accessible to all persons which Mr. Hernandez believes would dissolve legal restrictions and sociocultural discrimination based on nationality; the deconstruction of nationality also has philosophical implications in how it alters the concept of individual identity.



Mr. Moritz explained why small to medium sized enterprises need more support and funding while referring to already existing initiatives by the EU such as Digitalize SME and Unicorn.

Mr. Moritz first challenged Mr. Hernandez's idea of a stateless economy as he articulated how small-medium sized enterprises (SMEs) need public support entering and maintaining themselves in markets from high level competition. He emphasized how small businesses struggle the most with product development and marketing, thus need more co-financing as a means of fostering sustainable and healthy competitive markets.

SMEs tend to also lack the accessibility to high level digital computing processes whether it be due to the costs associated from hiring technical experts to entrepreneurs not having the technical skills themselves. This presents a challenge as of the 22.8 million SMEs in the EU, around 70% function online, emphasizing the need to mobilize SMEs for digital ventures.

To tackle such a situation, the European Commission and European Parliament has been funding a project called 'Unicorn', under the European Digital SME Alliance. The project directs software developers in the design and development of a variety of applications and encourages stakeholder engagement in such a value chain that integrates cloud computing services across SMEs. In spite of its originality, Mr. Moritz put forth the critique that such public programs cannot compete with private corporations, particularly in monopolistic or oligopolistic markets. He instead proposed for public investment to go directly into small businesses.

Mr. Moritz also shed light on Digital Europe, a European Commission initiative, where its nine-billion-euro budget was drafted, half of which was originally intended to be dedicated to improving digital and technological literacy across the member states. The section for proposed training was however rejected by the states, based on the conviction that education should be within the individual states' jurisdiction.



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To conclude, one participant commented during the discussion time following the conference "The system as it is now, is based on trust. That is the motive to still have banks and the nationalization of money."



3.2. Analyses of the daily financial situation of the EU from the point of view of the theories of Austrian Economic School

Organised by: Ludwig von Mises Institute- Europe and LVSV Antwerp

Date: 4th March 2020, 7.30 pm – 9.30 pm

Venue: Rodestraat 14, 2000 Antwerp, gebouw r University of Antwerp (Room r007)

Speakers:

- **Ms. Annette Godart-van der Kroon**, President of the Ludwig Von Mises Institute – Europe
- **Mr. Willem Cornax**, President of the Ludwig Von Mises Institute Nederland
- **Mr. Heiko de Boer**, PICTET and former director of AXA Bank
- **Mr. Max Rangeley**, Editor and Manager of The Cobden Centre
- **Moderator:** Arno Baes, LVSV

Mrs. Godart explained the fundamental theories of von Mises, Hayek, and the Austrian Business Cycle Theory in order to contextualize the relevance of Austrian Economics in governmental functioning, emerging technologies, and the European Central Bank.

‘Sound money’ is the essence of von Mises’ teachings and the following quotes from the Austrian economist were curated by Mrs. Godart to capture his insights. “The sound-money principle has two aspects. It is affirmative in approving the market’s choice of a commonly used medium of exchange; it is negative in obstructing the government’s propensity to meddle with the currency system”¹. “Sound money still means today what it meant in the 19th century: the gold standard “If one wants to avoid the recurrence of economic crises, one must avoid the expansion of credit that creates the boom and inevitably leads into the slump” (Mises 2009, p. 266-267)². Mrs. Godart pointed out that the Gold Standard did not return following its abolishment in 1971, reiterating von Mises call for

¹ Ludwig von Mises “The theory of money and credit”, Signalman Publishing, Orlando, 2009, p. 247.

² Ludwig von Mises “The theory of money and credit”, Signalman Publishing, Orlando, 2009, p.266-267



sound money as he wanted to “do away with this system of waste, corruption and arbitrary government. The first step must be radical and unconditional abandonment of any further inflation” ³. Mrs. Godart concluded this first section by stating “Nowadays this 2% inflation is used by the governments to finance present enterprises with future money, but the politicians are really scared when the economy does not grow by the expected 2%.”

Following this, Mrs. Godart connected Hayek’s discussion of the “Denationalization of money” to the present-day phenomena of cryptocurrencies and Bitcoin. Mrs. Godart summed Hayek’s rationale in the following list:

1. The government monopoly of money must be abolished to stop the recurring bouts of acute inflation and deflation that have become accentuated during the last 60 years.
2. Abolition is also the cure for the more deep-seated disease of the recurring waves of depression and unemployment attributed to “Capitalism”
3. The monopoly of money by government has relieved it of the need to keep its expenditure within its revenue and has thus precipitated the spectacular increase in government expenditure over the last 30 years (This was written 44 years ago!).
4. Abolition of the monopoly of money would make it increasingly impossible for government to restrict the international movement of men, money and capital that safeguard the ability of dissidents to escape oppression.
5. These four defects-inflation, instability, undisciplined state expenditure, economic nationalism- have a common origin and a common cure: the replacement of the government monopoly of money by competition in currency supplied by private users who, to preserve public confidence, will limit the quantity of their paper issue and thus maintain its value. This is the “Denationalization of money”

³ Ludwig von Mises “The theory of money and credit”, Signalman Publishing, Orlando, 2009, p. 274



6. Money does not have to be "created" legal tender by government: like law, language and morals, it can emerge spontaneously. Such 'private' money has often been preferred to government money, but government has usually soon suppressed it.
7. So long as money is managed by government, a gold standard despite its imperfections, is the only tolerably safe system; but it is better to take money completely out of the control of government.
8. In a world governed by pressures of organized interests, we cannot count on benevolence, intelligence or understanding but only on sheer self-interest to give us the institutions we want. The insight and wisdom of Adam Smith stand today.
9. The proposal is not a minor technicality of finance but a crucial reform that may decide the fate of free civilization.
10. The urgency of competition in currency requires to be demonstrated to the public by a Free Money Movement comparable to the Free Trade Movement of the 19th century.

"The abolition of the government monopoly of money was conceived to prevent the bouts of acute inflation and deflation which have plagued the world for the past 60 years (+45). It proves on examination to be also the much-needed cure for a more deep-seated disease: the recurrent waves of depression and unemployment that have been represented as an inherent and deadly defect of capitalism" (4)

Finally, Mrs. Godart quoted Professor Nakayama from the book *"Banking and monetary policy from the perspective of Austrian Economics"* ⁵to ascertain the following: "The legal and social aspects of Bitcoin bring us back to the issue of trust. Nakamoto ⁶ emphasized that the cryptographic proof could be the replacement for people's trust for financial institutions. This terminology of Nakamoto corresponded to Hayek's terminology of people's trust in banks"

⁴ F. A. Hayek "The collected works" "Good money", part II Liberty Fund (1999) 2008, p. 226.

⁵ Nakayama "Banking and monetary policy from the perspective of Austrian Economics (p. 211)

⁶ The idea of Bitcoin was originally shown in 2008 in a paper by a Satoshi Nakamoto



(with reference to Hayek: "people trust that a bank, to preserve its business, will arrange its affairs so that it will at all times be able to exchange demand deposits for cash, although they know that banks do not have enough cash to do so if everyone exercised his right to demand instant payment at the same time" ⁷).

Proceeding this Mrs. Godart explained the Austrian Business Cycle Theory:

"Austrian Business Cycle Theory and the boom-bust cycles in the economy explained by the miscalculations in the NPV (Net Present Value) based on NPV, the misuse of which causes bigger boom-bust cycle in the stages of production farther away from consumer (capital goods, housing). Natural (expressed through voluntary exchanges on the market) interest rate is 5% per annum. Why is the interest rate 5%? Because that is the rate that people discount the future. Think about it, would you rather, that I give you a €100.000 today or a €100.000 a year from now? The interest rate of 5% simply means that you wouldn't care if I give you €95.000 today or €100.000 a year from now.

Cash flow comes in after 1 year: $PV = 100 / (1,05)^1 = 95$ (approx.) Cash flow comes in after 10 years: $PV = 100 / (1,05)^{10} = 61$

The central bank artificially lowers the interest rate to 2% per annum: Therefore, when businesses are making Net Present Value calculations, they miscalculate in favor of projects with a longer time horizon (the difference 34% in year 10). The triangle is no longer in line with the inter-temporal (fancy word for "through time") preferences of consumers, between present and future goods. So, the recession is the time when businessmen realize they made a mistake. 'Why did we build so many houses'? People don't want/can't afford houses at these prices!"

To conclude, Mrs. Godart referred to a 2018 publication of LVMI Europe, *"Banking and monetary policy from the perspective of Austrian Economics"* (Springer Verlag), to highlight citizens, academics, and experts' discontent on European

⁷ Nakayama idem, with reference to Hayek "Denationalization of money" 1976, pp 48-49



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"Liberalism = Liberty governed by the Rule of Law"
Annette Godart van der Kroon



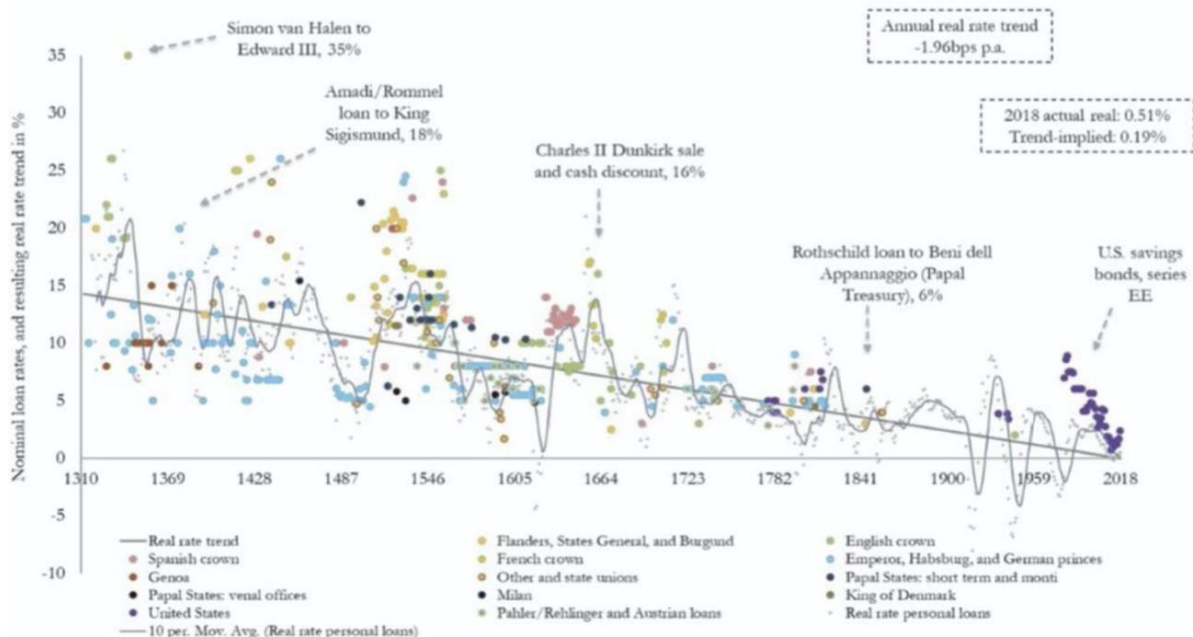
Central Bank (ECB) policies. The appointment process of the ECB invalidates basic democratic principles, cradling itself within the ruling elite, sharing no accountability with 'the people'. Such lack of civic engagement proves itself as problematic as the ECB plays a key role in the European economy and society; the ECB director tends to now be regarded as the fifth power in Europe. Thus, it is vital that the ECB president and institution at large be holistic and publicly accountable in its operations. Mrs. Godart foresees EU policy to be largely influenced by the ECB as well as the results from the denationalization of money (e.g. Bitcoin, cryptocurrencies, PayPal).

Mr. Cornax articulated his thoughts and imparted his knowledge on the subject matter to the audience in an improvised manner.

Mr. Heiko de Boer shared information on the sustainability of the ECB Monetary Policy using the following graphs:

Our current economic model

Real Rates since 1300





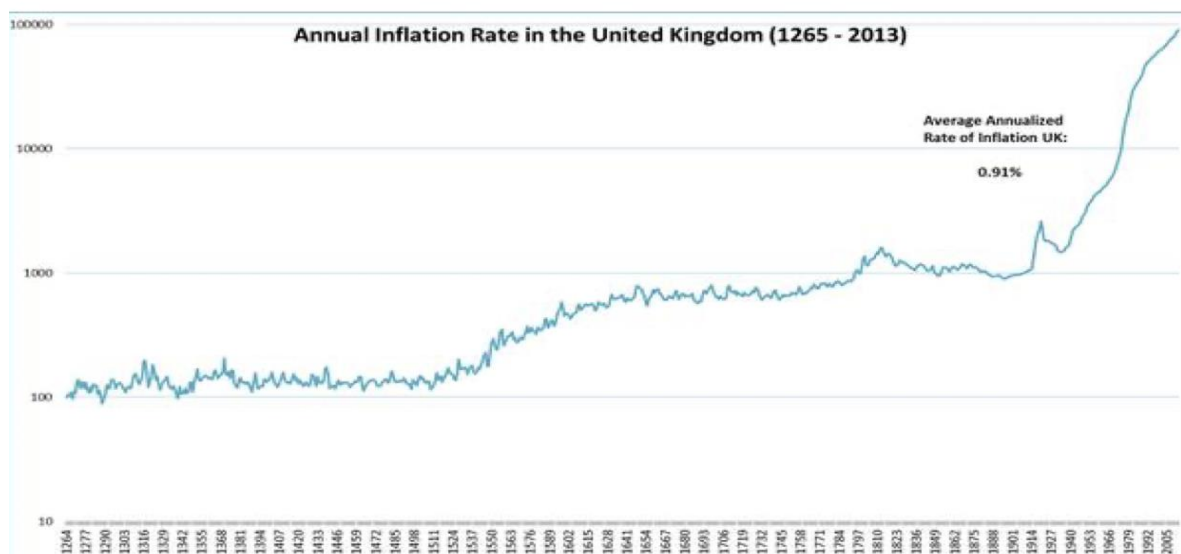
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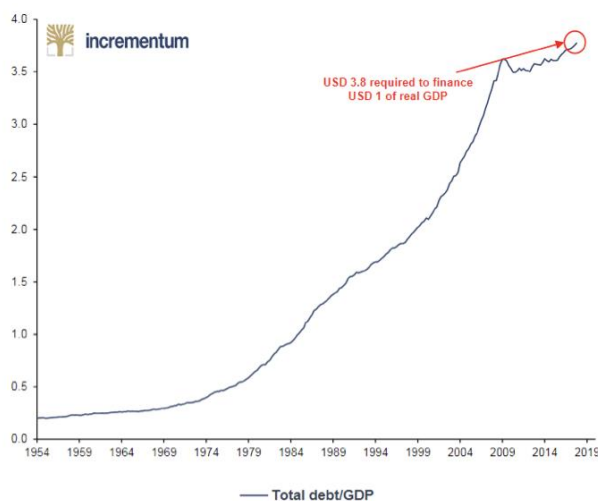
Our current economic model

Inflation since 1300

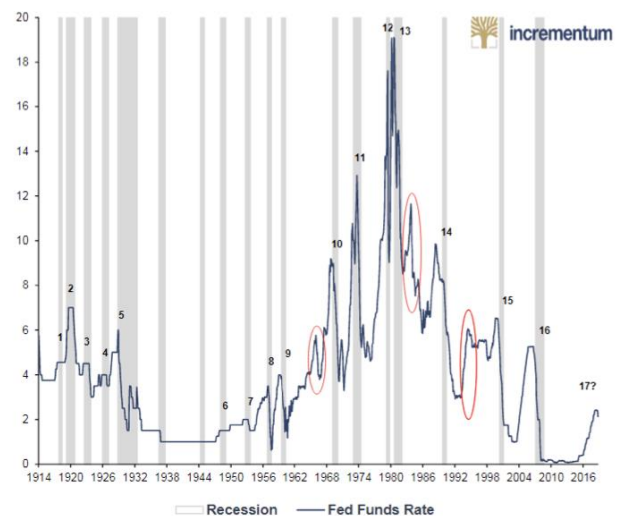


Our current economic model

More debt, money growth and lower rates



Sources: Federal Reserve St. Louis, Incrementum AG



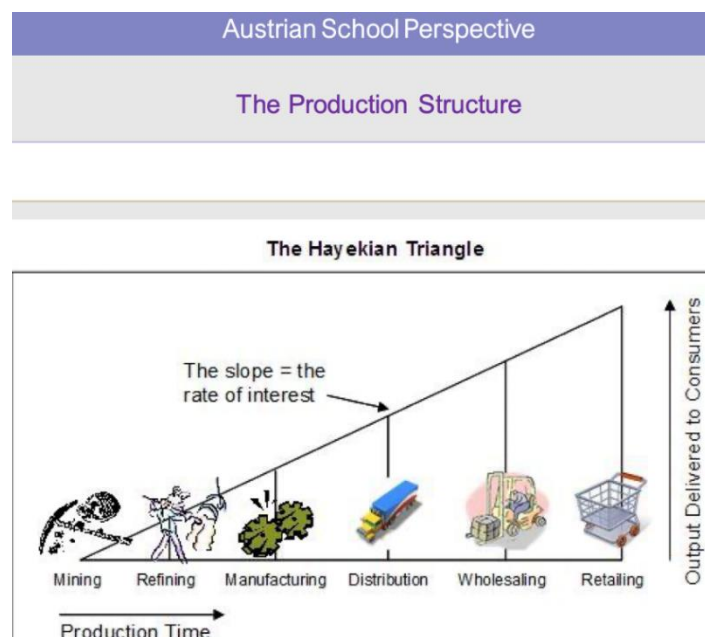
Sources: Federal Reserve St. Louis, Incrementum AG



Mr. de Boer noted that the make-ability of the economy rests on two points; the first being that the inflation of 2% should be the new anchor of the ECB. This goal can be realized by increasing the money supply and reducing interest rates. The second point is policy aimed at GDP-growth – referring to the quote “on the long term prices will rise, however, there is no impact on the real economy, employment and our welfare.” (*Price Stability: Why is it important for you?* ECB Paper April 2009).

The speaker then laid out the fundamentals of the Austrian School Perspective when it comes to understanding prices and human action. Mr. de Boer summarized these points as: people will always act to improve their situation; people chose by ranking their preferences based on the use value (a subjective process) and; prices are an aspect of human action.

Following this, Mr. de Boer explained about interest rates in the paradigm of the Austrian School as: discount rate of future goods (and money) compared to current goods (and money); supply and demand of time preferences determines the natural interest rate; interest is an aspect of human action.





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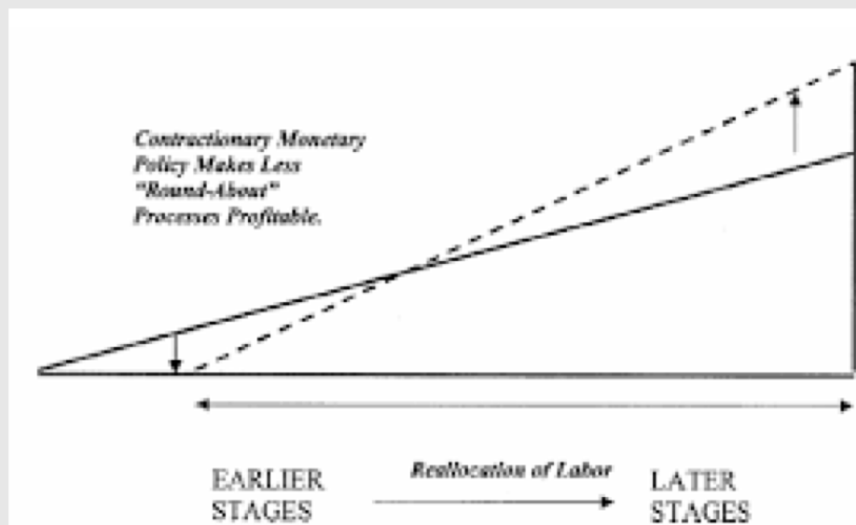
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Annette Godart van der Kroon



About interest rates, Mr. de Boer articulated how with an aging population, the natural interest rate increases with its corresponding production structure being adjusted accordingly. At this high interest rate, consumption would be largely given up on.

Austrian School Perspective

Production Structure with population getting older





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Austrian School Perspective

Prices and Interest determine the production structure

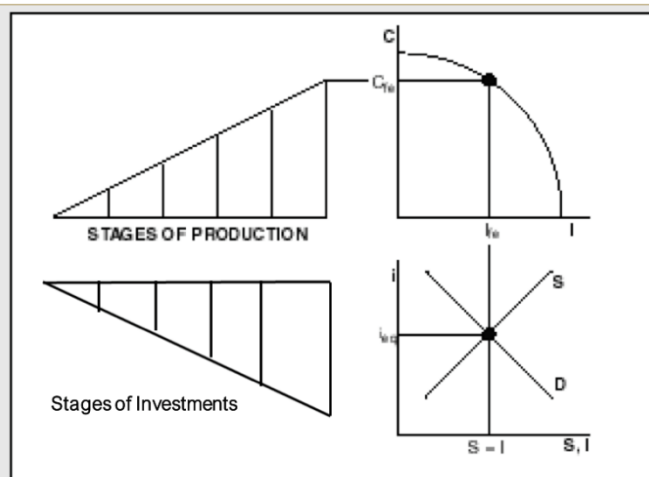
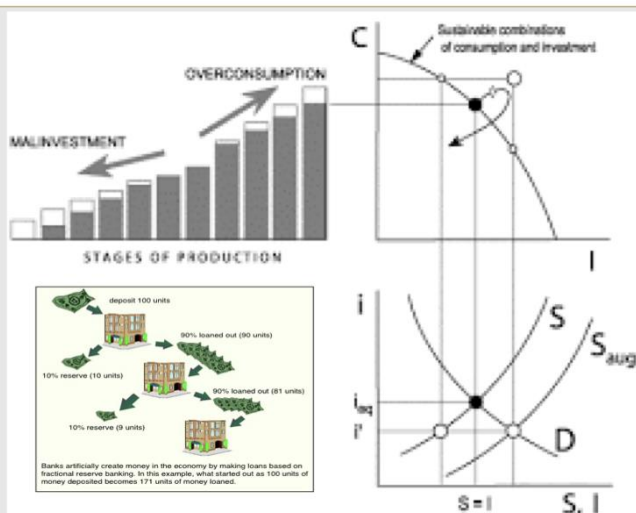


Figure 3.7: Capital-Based Macroeconomics

Austrian School Perspective

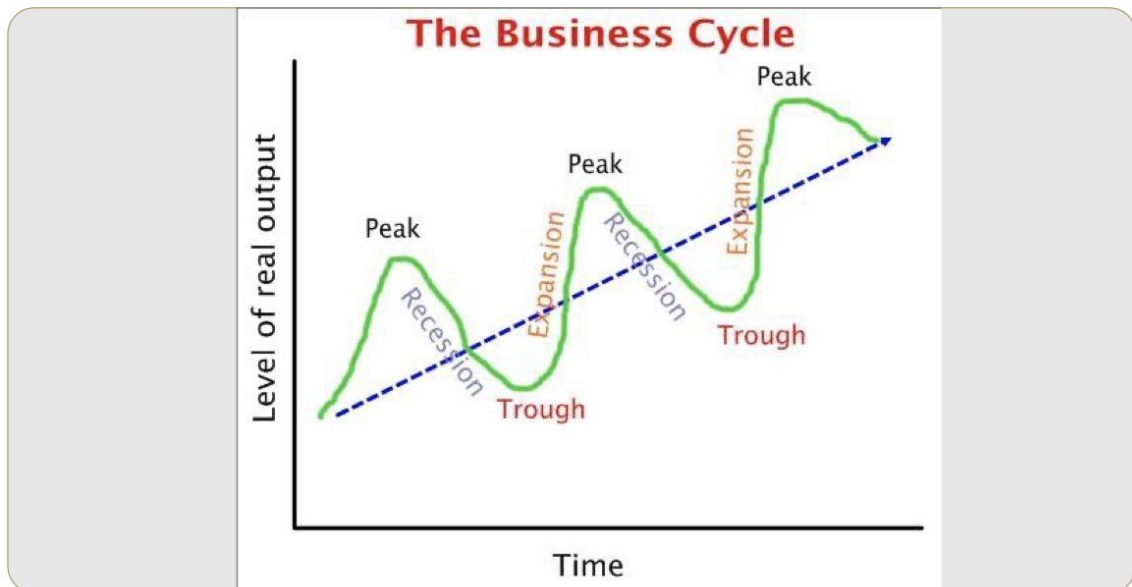
ECB intervention





Austrian School Perspective

Boom-Busts



Mr. de Boer then went on to explain how banks and those with best access to credit (affluent part of society) would benefit from this. Prices would rise, starting where the newly created money was spent; while the purchasing power of citizens who are far away from the money creation center would go down.

As such, inflation and GDP are bad anchors as prices are no measure of stable value, and while GDP keeps track of monetary transactions, it is no measure of welfare. So, the ECB policy is not sustainable because it is not in line with society's preferences.

When such major financial institutions are under pressure, these ultra-low rates are squeezing European bank returns resulting in very low bank market



valuations. Additionally, increasing European pension liabilities are bad for insurer's profitability. This all makes way for liquid markets being at all time highs.

To conclude, Mr. de Boer reiterated his main points to be that ECB policies result in imbalance; inflation and GDP are bad steering variables; and lower rates for long periods of time are not an option. His remark is that initially setting a lower inflation target would be optimal.

Mr. Rangeley debriefed the basics on AI in an accessible way in order to discuss the future of AI in the workplace as well as how its economics may impact global superpowers and hegemony.

The image of the dystopian world ruled by AI that is commonly portrayed was discarded as Mr. Rangeley distinguished the different kinds of AI by the algorithmic setup of their respective programming and codification abilities. Mr. Rangeley briefly contextualized the development of AI to inform the audience that, as of the time of this event, the technology is at the curve where it 'self-learns' through what is known as contextual adaptation. In the way that self-driving cars learn how to drive, contextual adaptation means machines learn their seemingly independent functions through observation, repetition, and codification. The other kind of AI is described as the 'third wave of AI', distinguished by its ability to learn in an individual instance, as opposed to repetitive exposure. Such a technology is still in development.

However, Mr. Rangeley noted that the third wave will not threaten society and increase unemployment rates to 50%. In contrast, such a high-performing level of AI is likely to rather increase productivity rates as organizations utilize this technology to automate repetitive and computation-based processes. Tasks that are creative, original and innovative by nature will continue to be occupied by people. Mr. Rangeley emphasized the importance and necessity of the third wave increasing productivity rates as such rates have been measured to depict stagnation in recent times. This is reflected by millennials being the first



generation to have less wealth than their parents, following the industrial revolution. Mr. Rangeley also pointed out that a similar trend of the exponential productivity and growth observed following the industrial revolution has not nearly been reached by the current system of AI.

Mr. Rangeley anticipates the future of development of AI to shift global hegemonic powers in economic and military directions, which are likely to be largely influenced by research and development including investments with technology. It is currently estimated that four-fifths of global venture capital for AI is going to the USA and China. China, as a growing leader, is expected to be the pioneer of the technology by 2030. It is important to consider the multifunctionality of AI however as not only an economic phenomenon but to intersect it with security, the medical field and banking purposes, to name a few. For example, with respect to security, the People's Liberation Army National Defense University in China said that war will move from "systems confrontation" to an "algorithms competition", suggesting that military power will come from superior algorithmic processes, as conflict moves towards being information-driven rather than bloodshed. As such, Mr. Rangeley emphasized that AI, as commonly seen, is not monolithic but instead a multifaceted technology.



3.3. LVMI Board Meeting

Date: 4th June 2020, 6:00 pm- 8:00 pm

Venue: Holland House, Rue d' Arlon 20, Brussels

Attending:

- Mrs. Annette Godart van der Kroon, President of LVMI-Europe
- Mr. Filip Smeets, Director Financial Planning of LVMI-Europe
- Prof. Marc Cools, Board Member of LVMI Europe
- Mr. Philip Close: to be nominated Secretary of LVMI-Europe
- Mr. Max Rangeley: (via Skype) Member of the Advisory Board of LVMI-Europe

Board Meeting 2020

The meeting started formally at 18:06 pm on June 4, 2020.

The assembly firstly approved the minutes of the Board Meeting dd 7-5-2019.

Then the Annual Accounts of 2019 were examined.

The total income exceeds the total expenses. The total income in 2019 was 13.836€ and the total expenses was 7.022,88€.

The next point of the agenda is the prognosis for 2020. Mrs. Godart warned the assembly that the expected income for 2020 is not excellent and that 2020 will not be as good as 2019. The expected income is 2.575,01€, of which 1.101,01€ has already been received, including 785,01 € of contribution, one membership still needs to be paid. The expected costs of 2020 are 4.783,90€ and 2.123,75€ has already been paid. Mrs. Godart specified that this estimation could be higher than the real costs, this to avoid bad surprises. At the date of May 30th, 2020, the balance of the bank account was +1061,56€. The assembly insists to maintain this balance above zero euro along the coming months.



The following point concerns the nomination of Mr. Philip Close as the new secretary of LVMI Europe. He will replace Mr. Philippe Hermkens at this position. Mr. Close has been working for Orange Business Service for 5 years and he expressed his enthusiasm to join the LVMI Europe. He is nominated by the Board of Directors.

Next point is the launch of a **Steering Committee**. The following persons are member:

Annette Godart-van der Kroon

Filip Smeets,

Marc Cools,

Philip Close,

Max Rangeley, all previously mentioned and

Stephen Woodard, Internal Affairs Policies, Head of Unit European Parliament

Only the last two persons are not member of the Board of Directors

Mrs. Godart then, presented the upcoming events of LVMI Europe. Due to the sanitary crisis of the COVID 19 Mrs. Godart emphasised the importance to adapt the events to smaller groups of 20 people. It will not be possible to organise events with a large audience in the coming months. The Lunch debate on "Future Federalism for Europe: some concrete proposals" initially programmed on March 17th, 2020 has already been postponed to October 1st, 2020.

Upcoming events for 2020:

- **July 7th, 2020:** General Assembly 2020 at Holland House, Rue d'Arlon 20, 1150 Brussels.
- **September 2020:** The conflict between Corona measures and civil rights and the Rule of Law (tbc).
- **October 1st, 2020:** Lunch Debate on "Future Federalism for Europe: Some Concrete Proposals" at Holland House, Rue d'Arlon 20, 1150 Brussels.



- **November 17th, 2020:** Free Market Road Show "Disruptive Innovation" – A cooperation with the Austrian Economic Centre and European Liberty Forum in the European Parliament.
- **December 1st, 2020:** Conference on Security with Hilde Vautmans (MEP), (date tbc).
- **January 2021:** Conference on "Disruptive Innovation II: Banks versus Cryptocurrency"

Subsequently, the next point discussed concerns the future topics that the institute should focus on the next years. Since 2015 the three main topics treated are:

- 1) A better climate for entrepreneurs,
- 2) private security and
- 3) financial climate.

Mr. Close emphasised the importance to study attractive topics. He also insisted to attach more importance to the promotion of the events and to establish new relations with partners that could give more visibility to the institute. Mr. Close proposed to focus on the entrepreneurship, innovations and the competitiveness. Mr. Smeets proposed to organise events not only in Brussels, but also in -for example- Antwerp or Ghent. For such events LVMI Europe needs support from the local organisers in order to find locations and invite possible participants.

The European relaunch after the COVID 19 crisis could also be studied even if the assembly expressed its fears about this topic because many think tanks should probably focus on this subject.

Mrs. Godart and Mr. Smeets also expressed the idea to deepen some topics like the future federalism for Europe using new connections with the European Parliament and the European Commission. Regarding those suggestions of topics, it will be important to choose one big project in the upcoming years. Big companies are interested in such projects.



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At last, Mrs Godart shared her concerns about the importance to find new sponsors. The institute has a new co-operation with Atlas, but Mitsubishi will no longer be a corporate member. Max Rangeley -during his Skype interview- promised to contact the IMF, the ECB and the World Bank. He has already delivered speeches for the Bank of England and the Austrian Central Bank in the past. He wants to reach out to a larger public to explain the ideas of the Austrian School, although we do have already excellent contributors for our book(s), newsletters and website.

Mr. Rangeley and Mr. Smeets have also been charged to establish contact with the other Ludwig Von Mises institutes in Europe in order to brainstorm on new research topics and to envisage potential collaboration.

In the aim to find new members Mrs. Godart compared the advantages Holland House offers to the advantages, offered by LVMI Europe for corporate membership. What is attractive for possible corporate members? That question has to be investigated.

It has also been proposed that LVMI Europe may organise an event for enterprises, presenting their company, who in return can become corporate members.

The membership fees have been judged appropriate by the assembly and they will not change.

The meeting closed at 8.10 pm.



3.4. LVMI General Assembly

Date: 7th July 2020, 6:00 pm- 8:00 pm

Venue: Holland House, rue d' Arlon 20, Brussels

Attending:

- Mrs. Annette Godart van der Kroon, President of the LVMI-Europe Mr. Filip Smeets, Director Financial Planning of the LVMI-Europe Prof.
- Marc Cools, Member of the Board of Directors and of the Steering committee of the LVMI-Europe
- Mr. Philip Close, Secretary of the LVMI-Europe and of the Steering committee of the LVMI-Europe
- Mr. Ulrike Haug, Member of the Board of Directors (via Skype)
- Mr. Patrick Meinhardt, Board of Directors BVMW (Bundesverband Mittelständische Wirtschaft)
- Mr. Hubert Delattre, Assistant at Ludwig von Mises Institute-Europe.

Sent their apologies for not attending:

- Jure Otorepec
- Paweł Dziedziul
- Victor Meij
- Nuno Lebreiro
- Stijn Cleemput
- Hardy Bouillon
- Dr. H-M Bachmann
- Syed Kamall
- Jean Ruiz
- Heiko de Boer

Has approved the accounts: Jesus Huerta de Soto dd 1-6-2020

Sent a proxy: HE Minister of State, Herman de Croo, dd 2-7-2020



General Assembly 2020

The following items on the agenda were discussed:

1. The meeting started formally at 18:14 pm on 7th July 2020.
2. The minutes of the General Assembly of 5th June 2019 were analysed and approved by all attending members.
3. After this approval, the participants analysed the Annual Accounts of 2019. The year 2019 was an excellent year and the incomes exceed the expenses. The expenses were 7.022,88 € and the income 13.836,00 €. The accounts were unanimously approved.
4. The prognosis of 2020 will not be as good as 2019, because there is less income.
5. Philip Close, Orange Business Services in an Account Associate, was officially nominated as secretary of the institute.
6. The Board of Directors was discharged. Mrs. Godart considers that Boards of Directors accomplished its goals last year.
7. The next point of the meeting concerned the upcoming activities of the institute.
 - a. Because of the COVID 19, the lunch debate on future federalism of Europe was postponed to October. Simultaneously, the conference on the future of Europe, chaired by Guy Verhofstadt was postponed to September. The debate should include EU citizens and the two events could be put in relation. The institute could try to have Guy Verhofstadt as speaker for this conference to speak about a new federalism. Regarding the sanitary crisis, a conference followed by a drink, is a better option than to organize a lunch debate.



- b. The conference on Free Market Road Show "Disruptive Innovation" planned in November still needs to be confirmed. It often depends on the agenda of the MEP's.
 - c. Mr. Smeets announced that unfortunately, the conference on security has to be postponed to next year. The companies involved have other priorities in this time of crisis. The assembly will think of a new topic linking with security for the end of the year.
8. As for the strategy of the Institute Mrs. Godart asked the members of the Steering Committee for suggestions about new topics to study and for conferences.
- a. Mr Meinhardt emphasised the importance to collaborate with other institutions, universities and LVMI in Europe. The new topics could focus on the new financial plan of the EU.
 - Mrs. Haug insisted on the importance to debate the strategy of the EU and how the European Institutions handle the crisis. It is also important to focus on the entrepreneurs and SME's as BVMW (Bundesverband Mittelständische Wirtschaft) does.
 - Mrs. Godart expressed her concerns about the slow bureaucracy that is more an issue than money to help those companies.
 - Mr. Meinhardt agreed and expressed his fears that the little support to the SME's will lead the EU in an economic crisis in Autumn.
 - Mrs. Godart agreed to do something about this issue and also insisted on studying entrepreneurship that is not much studied in Brussels. Mrs. Godart also expressed her interest to focus on the impact of COVID on the rule of law and the civil rights, because that has caused a conflict between the two.
9. Concerning the potential utilisation of a software programme to organise webinars. The assembly agreed that a software like Livestorm is not profitable for the Institute. Indeed, the cost of 89€ per month is too high for a small institution like LVMI that could organise just a few webinars.



10. Mrs. Godart informed the assembly that Mr. Gläser from Springer edition, contacted her to establish a new collaboration in order to write a book. It is good news for LVMI Europe because it gives prestige to the institution to have a second publication. The whole process of this new book should take two years.

11. Concerning the membership, the institute had three new members last year, but Mr. Javier Ruiz will already quit this year. Mr. Rangeley also tried to establish new connections with other LVMI institutes in Europe, but he has not established new contacts yet.

12. As for the review of the board meeting that took place on June 4th, 2020, Mrs. Godart reminded the assembly that since 2015 the three main topics treated are: A better climate for entrepreneurs, private security and the financial climate.

Mr. Smeets insisted on the importance to maintain three main topics even if the LVMI will have to rethink the organisation of events regarding the sanitary crisis that could last- even if it should not be a problem to organise events with less than 200 people. Mrs. Godart confirmed that the first event (about federalism) should take place at the Holland House. The place is perfect for small events and the rent of the room only costs 50€.

13. Mrs. Godart proposed to organise every two-three month a drink at Holland House for the members of the Institute to allow those members to meet each other. The first one could take place in September. Mr. Smeets suggested that it could also be an opportunity to bring guests who could be interested in a membership. The assembly unanimously approved this idea.

14. The last point concerned the visibility of the institute on the social media. The LVMI Europe has a positive evolution of the number of followers on Facebook (around 3000 followers in July 2020) but far less on Twitter which is more used to publish short news. Mrs Godart informed that the amount of interested people on LinkedIn is also growing. Mr. Heiko de Boer, former Treasurer of LVMI Europe, takes care of that. Mr. Close and Mr. Smeets argued that the institute could try to be more active on social networks by publishing more pictures or sharing publications from our partners. Mr. Meinhardt agreed but warned the



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assembly that we do not want to create debates and polemics on Facebook, because as a small institute, we do not have someone who is permanently active on social media.

15. The General Assembly ended at 7:25 pm.



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3.5. Get Together of Members and Alumni of LVMI Europe

Organised by: Institute von Mises Institute

Date: 16th September 2020, 6:00 pm- 8:00 pm

Venue: Holland House, rue d'Arlon 20, Brussels

Description: A get together for members and Alumni of LVMI Europe in Holland House. The reception was a nice interruption of this year, dominated by Covid. The participants expressed their wish, that such an event will be repeated frequently.



3.6. Future Federalism for Europe: Some Concrete Proposals

Organised by: Institute von Mises Institute

Date: 1st October 2020, 12:30 pm- 3:00 pm

Venue: Holland House, rue d' Arlon 20, Brussels

Speakers:

- Mrs. Annette Godart-van der Kroon, President LVMI Europe
- Mr. Federico Ottavio Reho, Strategic Coordinator and Research Officer at Wilfried Martens Centre for European Studies, Brussels and author of "A Hayekian federalism for the EU: some concrete proposals"
- Mr. Max Rangeley, Editor and Manager of The Cobden Centre

Moderator:

- Lieven Taillie, Chairman of AEJ Association of European Journalists

On Thursday the 1st of October, taking into account the Covid-19 restrictions, the Ludwig von Mises Institute hosted a lunch debate for a small group to discuss an important issue: the future of federalism in Europe.

I. Speech by the Institute's president

The conference kicked off with a speech by the Institute's President. Mrs. Annette Godart - van der Kroon introduced the topic with a discussion on the Lisbon Treaty, and in particular its shortcomings. She highlighted the fact that, for instance, the EU produces too many regulations (approximately 1400 per year), lacks democratic legitimacy, makes often decisions based on political grounds, etc.

Mrs. Godart went on to explain her vision of what the future of the EU could look like : the Lisbon Treaty should be revised, with as implication the clear separation of powers: the legislative, executive and judiciary powers, and a



policy of checks and balances and transparency ; the Union should be represented by one President elected by the people with a limited government; and free competition, including tax competition.

All this should be achieved through the following **principles**:

- Accountability. Elected EU officials have become so entrenched and protected that they are unresponsive to the public they were elected to serve. The aim is transparency and limited, efficient power of EU institutions.
- Individual liberty. Involve individual voters in the policy of the EP and the Commission.
- Transparency and open government. That means access to and understanding of the measures by the Commission and the EP. (That means that EU officials are not locked up in their own convictions but are open for discussion- with their citizens and with their opponents).
- The right to express opinions through initiative and referendum.
- The European Legislative institutions should recognize the innate ability of every European to make decisions in his own private sphere without some infringement from "Brussels". Actually, that is, what is meant by subsidiarity. That should be the keyword.
- Towards the outside world the EU could (and should) maintain a common policy, like immigration, defense and the environment and the four freedoms.

Finally, the president of the Institute concluded that the idea exists that the EU will collapse if the national States maintain their domination, and that therefore the EU should overrule the national states in order to survive. She strongly rejected that idea, pointing to the work of Federico Ottavio Reho, the guest speaker of the conference, who argues for a third way, in which States can keep their national identity and still have a supra-national decentralized government.



The discussion that took place centered around the arguments made by Federico Ottavio Reho in several research papers, including his last ones, « The Four 'Classical Federalisms' » (May 2019) and « Subsidiarity in the EU: Reflections on a center-right agenda » (April 2019).

These different ideas were summarized by Mr. Reho around four axis : first, there is not one but four different classical forms of federalism ; second, two of them, Christian democratic/conservative and liberal federalism, have anti-centralist leanings; third, the other two, Spinellian and Monnetian federalism, have centralist leanings and have been the more influential forms of integration in the EU; and finally, we need to get away from centralized federalism and rediscover a decentralized, competitive and culturally embedded federalism.

There exist four different classical forms of federalism. The first one chronologically is the Christian democrat one. It is culturally embedded, sees Europe as a civilization, pays attention to national and regional identities, and favors a bottom-up approach. The second one was put forth by liberals, and concerned the protection of freedoms, economic and personal. The third one was advocated for by progressives such as Altiero Spinelli, and the last one can be identified with the work of Jean Monnet.

The first kind of federalism is Christian democratic. It is not characterized by a particular ideological bent, but is rather the intellectual product of a diverse set of statesmen and thinkers with Christian Democrat leanings. It puts the emphasis on the respect of national and regional identities, as it is a doctrine that seeks to always keep close to the natural organizations of society, including the family as well as local and national communities.

The second kind of federalism is liberal and can be traced back to Robbins, Hayek and Einaudi. This liberal federalism limits itself to a few sovereign functions such as diplomacy, defence and something that was key in Hayek's 1939 essay « The economic conditions of interstate federalism » : the powers necessary to prevent the protectionist tendencies of the individual states. It is therefore a very lean federal body that this form of liberalism entails.



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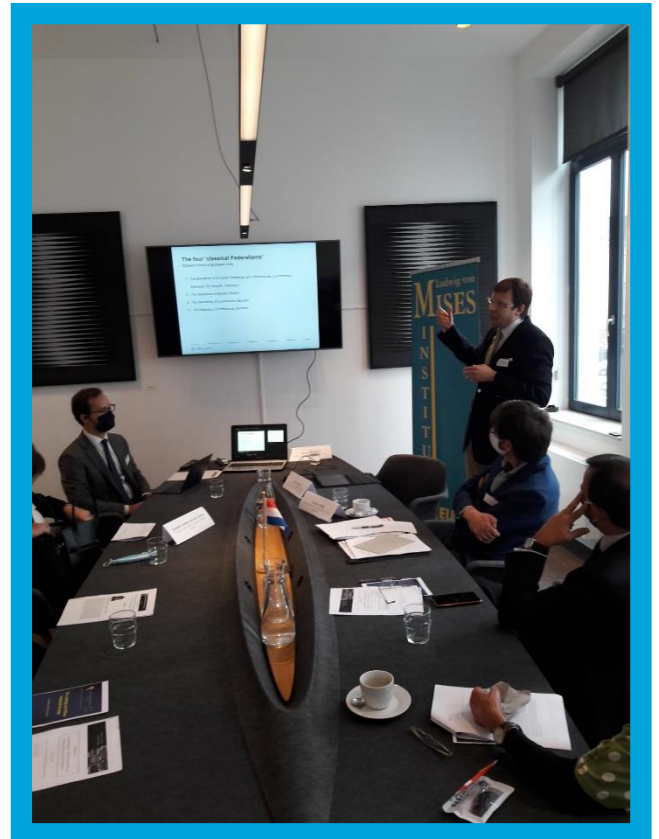
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Annette Godart van der Kroon



The progressive federalism promoted by Altiero Spinelli is another strand of classical European federalism. It aims to create a US-style federation to establish an « effective economic, military and diplomatic unit » in Europe. It is therefore a centralized government that this doctrine advocates.

The last classical federalism was opposed by Spinelli. It is however not very different in its goal, which is to create a united European power. The functionalist federalism of Jean Monnet is nonetheless different in its method of the small steps, with each step bringing Europe closer to a federation. Monnet did not believe in establishing a federation forthright, and did not trust national governments to do so anyway, hence his technocratic and incremental approach. He was the one who really shaped the construction of the EU as we know it, with the idea of sharing sovereignty rather than giving it up totally.

Mr. Reho concluded his presentation with a discussion on what an EU organized according to an anti-centralist federalism should look like. He remarked that if the EU's rhetoric and institutional practice had been closer to Hayekian federalism, several recent blows to European integration could have been averted. The most important among them is perhaps Britain's decision to leave the EU, which was certainly facilitated by traditional pro-European slogans such as "ever closer union" and "more Europe", as well as by the pervasive nature and seemingly endless growth of the EU's regulations and powers.





Mr. Reho expressed his concerns about the European Commission taking on subjects that are really more suited to be tackled on a national level.

Instead, Mr. Reho proposed that the EU focus on core areas, such as defense, foreign policy, and border control. He advocated for strong constitutional protections of decentralization, and stated his preference for a decentralized and competitive monetary union. In opposition to the open-endedness of neofunctionalism, a well-functioning federalism should indeed entail clear limits to integration.

In conclusion, he urged the participants to get away from the binary debate between federalists and nationalists, that seem to occupy the center stage today when discussing European politics. Instead, he preached for a third way, advocating for a decentralized and competitive Union, organized from the bottom up, and respectful of national and regional identities.

III. Intervention by Mr. Rangeley and open discussion

Max Rangeley was then introduced by the moderator to discuss the points made by Mr. Reho. Mr. Rangeley remarked that aspects of the EU have been of concern for liberals, and that these needed to be inspected from a Hayekian perspective. Several points were made by Mr. Rangeley:

1/ In his paper « The economic conditions of interstate federalism », Hayek stated that a lot of trade barriers are not tariffs but regulations. Hayek's idea was that in a federative system, these regulations disappear. Mr. Rangeley expressed some doubt that this was convincingly the case for the EU, and remarked that if in his time, Hayek was concerned about nationalism justifying trade barriers, today people should be perhaps more concerned about lobbying and cronyism.

2/ Discussing a mutual defense policy, - in the case of the United Kingdom- the fear of an EU army was a big factor in the vote for Brexit. Is it then very advisable to push for such an idea?



3/ We can observe the rise of some sort of authoritarianism in Eastern Europe, and questions arise as to what the EU could and should do. Mr. Rangeley would like to know Mr. Reho's point of view on the matter, given that again, « take back control » and the respect of sovereignty were big Brexit talking points.

4/ To Mr. Rangeley, Hayek's paper is the most logically coherent in discussing a federation with liberties ; but Spinelli's paper could be seen as more inspiring and more popular. What does Mr. Reho think about this assessment?

5/ Monetary aspects should be considered. Indeed: what is the most important area of overreach by the EU? Overregulation, political harmonization, legal harmonization? To Mr. Rangeley, it is rather the case that the most overreach comes from the ECB. Hayek himself discussed the abuse of monetary policy: he showed that interest rates should be set by the markets and not by policy makers, because doing this, causes distortion in the market. Hence when central banks set too low interest rates, we end up with too much debt compared to savings. Low interest rates in the past caused huge bubbles, on housing in Ireland for instance. The difference from Hayek's time is that now it is applied to a whole continent. Also, all interest rates are now the same across European countries, for Portugal or Germany. But interest rates should reflect risk, and the risk is definitely not the same when lending to Germany or Portugal.

The counter-argument to this idea today is that inflation is stable, so this must be a sign that the economy is sound. But the same argument was made in the 1920s and Hayek argued against it at the time. What is more, there is no willingness today to correct course. Corporate debt is swelling in Europe, at a far worse level than in 2008, and this is partly due to negative interest rates. Distortions are worse in Europe than in any other place in the planet. All these elements should be of grave concern.

To Mr. Rangeley, of all the different areas where it is useful to adopt a Hayekian perspective to examine European policy, it is on monetary concerns that it is the most interesting. Indeed, when the bubbles in Europe burst, it will dwarf all other concerns.



Mr. Reho replied as follows.

1/ Had Hayek underestimated the risks of regulation by the federal level? Indeed, Hayek thought it would be very difficult to impose too many regulations at a federal level.

Mr. Reho explained that Hayek might indeed have been too optimistic on this point. A policy such as the common agricultural policy would have been impossible in a Hayekian framework. But, Mr. Reho pointed out, Hayek overlooked the fact that negotiations are conducted in bundles. And so, instead of examining a policy on its merits, European leaders negotiate on several pieces of regulation or legislation at the same time, so that everybody can get something out of negotiations.

Also, Hayek's premise when talking about a federation was that the four fundamental freedoms (of capital, work, people and services) would be strictly enforced. But, for instance, the free circulation of services is still a chimera. This makes regulations more tempting at the national level.

Finally, basic public choice theory tells us that all institutions tend to strengthen themselves. Passing regulations and acquiring new powers is a way to do that.

Mr. Reho proposed a solution to this conundrum: strong constitutional safeguards should be adopted. In fact, ideas to this effect have been put forward since the 1990s by the « European Constitutional Group ».

2/ On defense, Mr. Reho disagreed with the British people: Europe is not just about free trade and should not be. But, he added, defense does not have to be centralized. And for that, we can look at the way NATO already operates as an example.

3/ On eastern Europe: a federation has still a federal framework, it is not an empire. Constitutional frameworks within it should not be too far apart. However, the EU must be very cautious on this particular subject, because conflicts on these issues, if they are too strong and views are irreconcilable, can



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lead to crises and eventually to a breakup. The question is how far we go in tolerating different constitutional models.

On this Mr. Rangeley agreed. The situation in eastern Europe is a difficult issue. Comparison with the US can be useful here : States can, in theory, go far to differentiate themselves.

A member of the Institute, Philip Close, joined the discussion and asked about the role of the American interstate commerce clause in transferring power to the federal level and limiting the powers of the States. The debate became more of an open discussion at this point.



Mr. Rangeley warned that this clause was used to justify the war on drugs, which was according to him a terrible abuse of power by the US federal government. For Mr. Reho, the equivalent of the interstate commerce clause is the single market legislation in Article 114 TFEU and it is also abused in the EU to legislate on areas where it should not be.

The moderator, Mr. Lieven Taillie observed that in the US, law students start their studies by comparing laws, federal and state, and now this is something happening in the EU too. He then pivoted to another topic, asking whether a Hayekian framework could work when a country, like China for instance, lies about its numbers and cheats on other members of the international community.

Mr. Reho pointed out that Milton Friedman said that it is not because someone else is shooting himself in the foot that you should also do the same. Therefore, because China cheats and manages to erect trade barriers stealthily, should therefore not mean that Europe should do the same, because it could be hurting



ourselves to do so. However, it is also true that some industrial champions come from defense expenditure, which might be proof that state intervention can be a tool of great influence. But statism shouldn't probably be the answer to Mr. Reho, who sees it rather somewhere in the middle.

Mr. Taillie emphasizes that this is a question about European strategic autonomy and asks for Mr. Rangeley's opinion on the matter. According to the latter, if China manipulates its currency then it is often beneficial for Europe, because China then provides us with cheap goods and makes itself poorer. As to worries about a China that could seek too much influence over other countries, Mr. Rangeley said that the issue is complex and should not be responded to with crude barriers to trade.

Finally, the Institute's President, Mrs. Godart, asked a last question. Those who criticize the EU are too often pushed to the far-right, she claims. This phenomenon explains in part why the UK has left the EU. How can we find a way to convince people that advocating for a leaner EU is not far-right?

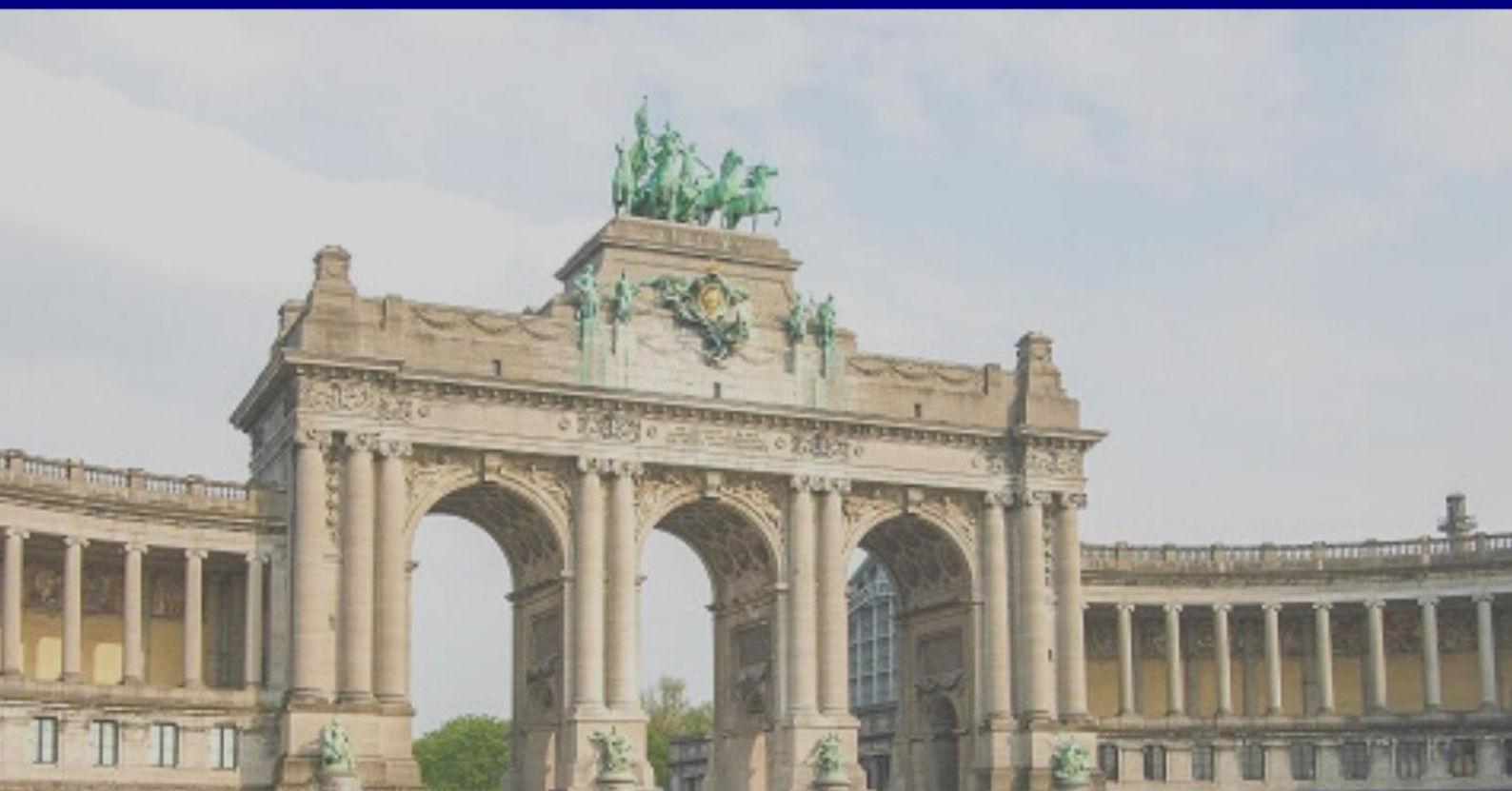
For Mr. Reho, libertarians and conservatives should not align with the far right, as they have unfortunately tended to do at times, but continue to make the case for a decentralized European federalism. There should not be any strategic alliance with far-right parties. At the same time, in the name of Europeanism the center-right has too often aligned itself with a centralist vision of Europe and has not been able to articulate that there is an alternative. For this reason, the center right has a very important role to play in the future by embracing and advocating a decentralized federalism that is more respectful of national and regional identities.

Mr. Taillie concluded that we live in a society of the instant and of emotions, and in this context, sound ideas have difficulties emerging. The discussion ended on that note, and participants were satisfied that they witnessed an exchange of ideas that gave everyone matter for reflection.



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