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The Indivisibility of Freedom

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THE INDIVISIBILITY OF FREEDOM

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Remarks presented to the 1998 State of the World Conference
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The Indivisibility of Freedom

**By Juliana Geran Pilon
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It is hard to believe that just nine years ago, almost to the day, the world watched, incredulous, as an enormous Curtain whose weight was measured in the tonnage of silent terror, first started to lift, slowly yet irrevocably, laying open the promise of freedom to millions. Neither they nor we had dreamed such a thing would happen in our lifetime. That first week of May, in 1989, Hungary opened its borders to Austria. In effect, that deceptively small act spelled the end of an era: from that day on, the East ceased to be closed to the West. Soon thereafter, the Curtain lifted till there was nothing left but a terrible aftertaste--the bitter hangover of totalitarianism. A flood of hope poured out through the newly open gates, a cascade of energy whose spring was captured by one word: "Freedom." Just that simple: freedom. It was beautiful, and seemed so easy. But after the euphoria wore off, it became clear that the hard work was still ahead.

The revolution that ended communism almost overnight turned out to be the easier part of the job. The rest is captured in the title of our conference tonight: "Building Open Markets and Democracies." But how is that done? Are there some nifty blueprints for those who must start virtually from scratch? And are there some timeless lessons that advanced democracies such as our own can learn to make sure we do not erode the freedom and prosperity that we have come to take for granted?

The topic has a personal significance for me, since my own family tried for sixteen years until we were finally able to emigrate from communism in order to find this freedom in America. Moreover, I happened to be there, in Hungary, when its borders were open to the West, and I remember the power of those tides that would become an unstoppable flood of hope. Since then, I have had the privilege to help new democracies throughout Europe and Asia in their painstaking attempt to translate the ideal of freedom into reality. And I can tell you that the process is excruciatingly difficult; but I must also tell you that I truly believe it can succeed.

The specific question before us relates to the relative importance of economic as compared with political freedom. Or, phrased differently, the issue is whether free market principles need to be in place prior to the institution of political liberty. I shall argue that freedom is indivisible; and what is more, freedom really works. It is no accident that the most prosperous nations are also the freest.

Some have argued that economic prosperity must come first--sometimes, even at the expense of political freedom. I must agree, however, with the well-known historian Paul Johnson, who wrote:

I believe that one of the cardinal errors of modern times, an error of which I was guilty for a quarter of a century while a socialist, is the belief that one can distinguish between political and economic freedom. . . . I used to think that you could limit economic freedom very severely, while leaving political freedom intact. . . . Both from the study of history and from observation of the contemporary world, it has become clear to me that the

destruction of economic freedom leads inevitably to the destruction of political freedom. The opposite is true as well: for where political freedom no longer exists, it is hard to maintain economic freedom.¹

This lesson has been taken seriously by one of the most impressive of all political figures in Eastern Europe today, former Prime Minister Vaclav Klaus of the Czech Republic--a country whose economic growth has been breathtaking. But whenever he is asked about the relative importance of political and economic freedom, Klaus responds that he does not believe in the divisibility of human life in compartments. This belief, he explains, has been reinforced by his experiences after the fall of communism. "We understood very clearly," writes Klaus, "that it was possible neither to change the political system first and the economic system second; nor to decentralize economic decision-making but postpone political decentralization; . . . nor to educate people first and to liberalize, deregulate, and privatize afterward"--in a word, he says, "it is quite clear that we have to go ahead-simultaneously--in all three dimensions of our lives."²

This is not to deny that the specific challenges of privatization are extremely complex and delicate. In fact, Klaus specifically outlines some of the pitfalls of incomplete privatization. (I suspect that he knows the Eastern European joke about the peasant who wanted to be kind to his dog who had to have his tail cut off. The man, in his limited wisdom, had it cut piece by piece, hoping that in this way . . . it would hurt less.) In a classic essay entitled "The Ten Commandments of Systemic Reform,"³ Klaus spells out some specific economic measures that must be taken to introduce a free market. He calls the

process "transition privatization," which he distinguishes from the sort of "classical privatization " that occasionally takes place in advanced democracies such as Great Britain, the United States, or Canada. Transition privatization requires special political sensitivities, of which Klaus is fully aware: "Reform is not an academic problem, it is a political issue, and it is vitally important to win for it sufficient political support."⁴ Without political support, the effort may well be doomed; it is certainly precarious, and may be seriously derailed. In fact, Klaus' own fate--his resignation earlier this year--is testimony to the political vagaries that are inevitable in all, and particularly in emerging, democracies.

It is always important to listen to those who must build free markets and democracies, who are engaged in this process as practitioners, who must be prepared to pay the requisite political price for their actions. Western pundits are usually less reliable authorities. At times, however, they end up pretty close to the truth. One recent article that has created quite a stir in Washington is Fareed Zakaria's "The Rise of Illiberal Democracies," published in the fall issue of *Foreign Affairs* magazine. In that article, Zakaria rightly points out that "economic, civil, and religious liberties are at the core of human autonomy and dignity,"⁵ and he warns against chastising too harshly regimes that may be wanting in the latter, thereby underestimating the importance of economic liberty.

So far so good. Yet Zakaria goes one step further, to argue that democratic measures such as, specifically, elections, are secondary to the

institution of economic freedom and the rule of law. But there are some problems with this neat theory. First, one hardly ever has the luxury to dictate the actual order of liberalization. Whether we like it or not, in the real world, change must take place in the generally messy manner of all human activity--with elections and basic political change usually preceding the painstaking process of economic reforms. One very good example is Ukraine, where the pace of privatization has been terribly slow while the country has experienced several waves of political liberalization. I was there just a month ago, and I can tell you that the people are very tired of being poor. It would be great if economic freedom were handed to them, it would have been wonderful if their constitution, which includes guarantees for private property, had been passed long before 1996 (when it barely made it), and if Ukraine already had a workable judicial system. But it doesn't. (If I may quote another Eastern European joke, "If my grandmother had wheels, it would be a bicycle.") The country is still facing a very uphill battle, and will probably have to go through a great deal of pain that might be avoidable if its lawmakers were a bit less shortsighted.

But another point is that eventually political and economic freedom in fact really do need to go together, more or less at the same time. Even the famous East Asian countries (notably Hong Kong, Singapore, and Taiwan), which are widely believed to have gotten rich first and only afterward were handed out freedom, are not a true counterexample. Explains the prestigious British weekly *The Economist*: "In part this is a confusion of economic freedoms with political

ones. . . . But more important still is the fact that East Asian countries have long been much freer than most people realize."⁶

The Economist article was offering this insight as part of an analysis of data presented in a massive study by the Cato Institute entitled *Economic Freedom of the World 1975-1995*. What this study actually shows is basically that those countries that are most free politically are also most free economically. The study goes a step further, however, to make the point that the least government interference with the market is also correlated with the greatest prosperity. Writes *The Economist*: "the conclusion from this research into 102 countries over 20 years could scarcely be more emphatic: the more economic freedom a country had in that period, the more economic growth it achieved and the richer its citizens became." In countries such as Sweden and Israel where political freedom is high but economic freedom is low, economic performance lags. In fact, highly socialist Israel is rated 66 out of a possible 102, surpassed by the Czech Republic which rates 51 (being thus freer than Israel) and Poland at 57. This, remember, a mere five years after the fall of the Berlin Wall. Sweden, by the way, is a fairly high 31, behind Panama and Taiwan both rated 16. The U.S. in case you were wondering, is 4th (behind Hong Kong, New Zealand, and Singapore).

As for the theory that people prefer prosperity to liberty so political freedoms are somehow secondary, the evidence does not necessarily bear this out.

In Thailand, for example--a country which till recently had made considerable economic progress but which lags in political democratization--a vast majority of the people feel that civil and political freedoms are very important too, and sorely lacking in their country.⁷ One Asian country that has clearly understood the indivisibility of freedom is formerly communist Mongolia. Its 35-year old Prime Minister, Tsahiagiyn Elbergodj, told Secretary of State Madeline Albright just two weeks ago: "There is some perception that a simultaneous transition in political and economic fields is not the way for Asia countries. We are challenging and breaking this stereotype."⁸ The results in Mongolia have been impressive.

But I am afraid too much of this discussion so far has taken place at a rather "macro" level. Talking about privatization *tout-court*, about "national" economic indexes, ignores one of the most important problems faced by new countries that are building markets and freer political systems. I have in mind the terrible specter of the new so-called "mafias", the corrupt oligarchies that threaten to undermine the fragile texture of democratic institutions as they begin to emerge tentatively and precariously. Russia is an excellent example. Economist Grigory Yavlinsky, writing in the current issue of *Foreign Affairs*, notes that the West seems satisfied with Russia for the most part since it has lowered inflation and stabilized its currency, the IMF, for example, while occasionally delaying tranches of its \$10 billion loan, always seems to reinstate them. But the economic

health of the system is in his opinion quite illusory: "Far from creating an open market, Russia has consolidated a semi-criminal oligarchy that was largely in place under the old Soviet system. After communism's collapse, it merely changed its appearance, just as a snake sheds its skin."⁹ This is true throughout the former Soviet Union. The result is a serious setback for the institutionalization of freedom.

When asked their opinion, therefore, the people of these newly freed nations are understandably disappointed with what they see. Often they are confused, and do not know what to attribute to capitalism as such, what is a necessary aspect of the free market, and what is merely the way that history developed in their own countries. National opinion surveys therefore tend to offer mixed results: people seem willing to tighten their belts to allow the introduction of private enterprise, yet impatient at the sight of corruption and so-called *nomenklatura* (or robber baron) capitalism.

No matter how difficult their economic circumstances, however, people do cherish their freedoms. I was in Moldova in March and saw disenchanted, hungry citizens voting for an unexpectedly large number of communists who now constitute nearly 40% of the new parliament. And still what I heard was that people did not really want to go back to the days of totalitarianism.

It is interesting that in Kazakstan, for example, a recent survey conducted by my own organization, IFES, shows that 58% of the population reject the proposition that "in order to establish order and discipline it is necessary to limit the political and civic rights of the people."¹⁰ And they are convinced that the government does not respect them: 60% think either "not at all" (18%) or only "a little" (42%). 66% have little or no confidence in the courts, and 82% have either no (a whopping 41%) or little (also 41%) confidence in the militia.¹¹ Yet they are not against economic reforms: 51% say that economic reforms are actually too slow.¹²

A comprehensive study of democratic attitudes throughout the world just released by the U.S. Information Agency shows that everywhere people are eager for freedom, which they see as involving both political and economic aspects. In Central and Eastern Europe, for example, the question whether political liberties or "economic elements" are more important "for a society to be called a democracy," the results showed that the latter ranked lower than the former. It is interesting that "those more likely to feel secure with the economic transition--men, the young and the better educated--and supporters of the market system are more inclined to prefer political freedoms."¹³

But let's leave statistics aside for a moment and return to common sense. Everyone knows, after all, that most people prefer to choose for themselves. This

means that restricting a person's freedom to choose--whether at the voting booth, before the television camera, or at the supermarket--is denying human beings something that is part of their humanity. What is more, human beings happen to know best not only what they want but what they want to produce. Philosophers such as the late Karl Popper, and economists such as F.A. Hayek, Milton Friedman, Ludwig von Mises, have pointed out that the market is far too complex a mechanism to leave it to central planning--even when the planners are not corrupt, which is itself a rather tall proposition. And it is surely elitist to suggest that most people would sooner opt for full stomachs than for free speech. The truth is that relatively muzzled consumers tend to be in great danger of eventually losing not only their appetites but their dinners too. Unless freedom is perceived to be indivisible, as it truly is, no one is safe. Marx was quite mistaken to think that everything would be solved if poverty were eliminated. It should have come as no surprise that reducing political freedom to purely economic relations would lead to the abolition of both.

What does this tell us citizens of a prosperous, democratic nation such as the United States? The moral of the story is beautifully simple: let us cherish the right of the individual to choose for himself. The result will be not only material prosperity but the preservation of human dignity. Fortunately we do not need to sacrifice our lives to introduce that ideal in America; but we will need to continue to work to make sure it is never extinguished. The job of building free markets and democracy is truly never finished.

NOTES

¹Paul Johnson, "Movement in the Market: Mobility and Economics in the Free Society," in John A. Howard, ed., *On Freedom: Essays from the Frankfurt Conference* (Greenwich, CT: Devin-Adair, Publishers, 1984), pp. 40-41

²Vaclav Klaus, *Renaissance: The Rebirth of Liberty in the Heart of Europe* (Cato Institute: Washington, DC, 1997), p. 27

³*Ibid.*, pp. 43-49. Also, see his "Ten Commandments of Systemic Reform, Revisited," pp. 51-57.

⁴*Ibid.*, p. 49

⁵Fareed Zakaria, "The Rise of Illiberal Democracy," *Foreign Affairs*, Nov./Dec. 1997, p. 41

⁶"Of Liberty, and Prosperity," *The Economist*, January 13, 1996.

⁷"The People Have Spoken: Global Views of Democracy--A Special Report of the Office of Research and Media Reaction," (Washington, DC: U.S. Information Agency, January 1998), pp. 30-31.

⁸"'Impressed' Albright Gets a Taste of New Mongolia," *The Washington Post*, May 3, 1998.

⁹Grigory Yavlinsky, "Russia's Phony Capitalism," in *Foreign Affairs*, May/June 1998, p. 69

¹⁰Craig Charney, *Public Opinion in Kazakstan 1996* (Washington, DC: International Foundation for Election Systems, 1997), p. 24.

¹¹*Ibid.*, pp. 44-45

¹²*Ibid.*, p. 20

¹³"The People Have Spoken: Global Views of Democracy--A Special Report of the Office of Research and Media Reaction." Washington, DC: U.S. Information Agency, January 1998), p. 6. One problem with this survey is that only economic question relates to whether people expect social benefits, not whether they are interested in economic freedom.