

# A HAYEKIAN VIEW ON EUROPEAN UNION

Veronica Coca<sup>1</sup>

"Alexandru Ioan Cuza" University of Iași

coca\_veronica@yahoo.com

**Abstract:** *The aim of this paper is to develop some general Hayek's ideas on the European project. Hayek demonstrated and analyzed the presence of two types of social order - a spontaneous order and a built one. Spontaneous order is a feature of society and economic development around a principle of human action coordinator. European project represents the spontaneous order through the founding principles of the four freedoms - free movement of persons, goods, services and capital. With many regulations, bureaucracy, this order is closer to the order constructed by that social engineering. Following Hayek's ideas I tried to emphasize some issues at European level and to achieve a correlation with the european reality and Hayekian theory.*

**Keywords:** spontaneous order, rule of law, freedom, institutions

**JEL classification:** H11, N44, O21, O43

## 1. INTRODUCTION

Europe will not be created from nothing and will not be a "building", it will be done through concrete achievements ..." said Robert Schuman on 9 of May 1950, but how are the European States after more than half of century?

European Union enlargement means profound transformation of policies, economy and society across Europe. In fundamental, the entire building - with its American pedigree on origin - is the result of European government regulations. Despite numerous economic arguments which are cited in support of European integration, the source of the European project are par excellence a political one. At the beginning, the energies were animated by the need for integration of building a counterweight to political power by American "imperialism" and East Asian boom and then the economic dimension took more importance.

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<sup>1</sup> Acknowledgements: This work was supported by the European Social Fund in Romania, under the responsibility of the Managing Authority for the Sectoral Operational Programme for Human Resources Development 2007-2013 (grant POSDRU/88/1.5/S/47646]

The evolution of the European Union during the time was to gain increasing proportion, to involve more instruments, but it deals with some problems. Maintaining such a great “building” involves political debates to train as many entities, to converge different opinions.

As George Orwell said that “in times of universal lies, telling the truth is a revolutionary act”, the fundamental problems facing Europe today are the lack of European identity building, the lack of a common coherent political view, lack of transparency and closeness to citizens.

The concept of Europe is our focus today as the idea of European Union, which add in almost all states of the continent. However, in view of its development, a legitimate question that arises is how united are these states of Europe? What is the foundation on which we have to build from now on?

## **2. CONTROVERSIES FEDERALISM / FUNCTIONALISM**

It is known that the European Union has been created "top down" and not vice versa as was natural. It was a debate among elites and not a necessity at the middle class or lower.

European federalism, inspired by the Christian democratic tradition and experience of German represents the federalism through integration. Maurice Duverger proposes a new type of Europeans federalism, based on double nature of the whole to be organized and respecting the principle of dual legitimacy. (Duverger, 1999, p. 95-100)

After Haga Congress of 1984, United Kingdom, France, Holland, Belgium and Luxembourg formed the “Permanent Committee for Study and Development of European Federation”. The negotiations that were held were dominated by two fundamental current: supranational method supported by the French and the intergovernmental method, promoted by the British. The result was the creation of the Council of Europe, which represented a compromise between intergovernmental and supranational. Since then, supporters of the two methods have entered the competition. European integration has evolved through a process of conflict focused on the supranational-intergovernmental line.

To integrate by economics, with small steps, is the essence of functionalist method. The European project is a political project in which economics plays the role of a simple tool.

In present, the dispute is not between functionalism (economic integration) and federalism (political integration), because integration is a fact already accomplished, but between federalism and intergovernmental cooperation. Whatever one says, the European federal model cannot copy the German or American federal model, simply because the place and time is not the right one. European Federalism can take some elements from the two other historical experiences, but the final product will be different. Best source of inspiration is American federalism, but the political

design will be different. The American states were very young when they federated (or even a century of historical existence). By comparison, some European countries have a historical and a half millennium (UK, France), have traditions for over two millennia of civilizations (Greece, Italy). Another factor to take into account is the cultural difference. Thus, while American and the German federation comprise a single nation, the Americans respectively, the Germans, European federation will not meet the European people, each nation keeping its own cultural identity. Europe will not affect the quality of quality French or Italian, but the contrary.

The debate on the future of Europe has put in front of the two rival theories: intergovernmental cooperation vs. federalism.

An European thought should bring a desire to act likewise. Thus European institutions and European mechanisms should be corrected in the idea of increasing transparency in decision making. A citizen needs to know what the mechanisms of this entity are, has to participate in decision making. Current bureaucracy in the European institutions is an impediment to integration transparencies.

### **3. HAYEKIAN APPROACH TO THE INTEGRATION**

Europeans, especially European politicians have been warning of Hayek since 1944, that the old continent is already "on the road to serfdom." Release the illusion of Communism, enthusiastic Europeans "fell into the arms" of the new utopia that promises a harmonious combination of capitalism and socialism. The only practical and realistic way to improve their standard of living is the total abolition of central planning institutions, elimination of price controls, wages, exchange rates and external trade control.

In Hayek's work, essential is the rule of law. A company is not governed by the discretion of state power, but by the legitimate power of the law, mostly in developed as an evolutionary and not a statutory right, not a system built by state law, but a system of rules codifying the individual's informal conventions. Unfortunately, the European conductor's motto seems to be that "everything what is not allowed is forbidden", unlike the economic system characteristic of the Anglo-Saxon "everything what is not forbidden is allowed". This explains why regulation, liberalization and privatization have occurred in Great Britain and U.S. long before European countries.

Hayek's sense of freedom is rather negative, man should not be the subject of restrictions or coercion, it has to have "respect for the individual as a person, the recognition of its views and values within its own criteria, the belief that it is desirable for people to cultivate their individual talents and inclinations."(Hayek, 2006, p. 25)

Common ideal of European civilization before the First World War was abandoned by cultivation in some of those ideas that led to the overthrow of the existing socialist order, resulting in splitting Europe into friendly and enemy states. Hayek also details the hidden character of the socialist discourse of freedom, namely that sense of identification, of confusion of freedom with power or wealth, people requiring certain priorities, value judgments and decisions. Thus, the planner or agent violates individual liberty, because “in any system that could be rationally justified, the state would not simply accept to do nothing. To be effective, a competition-based system has need as any other system of a legal framework designed intelligently and continuously adapted to reality.” (Hayek, 1998, p. 51)

Wherever private property is not a right itself but must fulfill a social function, changes in legislation of the legal system and economic freedom is conditioned by social justice and public decisions that take precedence over private ones.

Although the European project has been much debate between supporters and advocates of federalism, functionalism, European politics and European Constitutional Treaty is not the expression either of the two founding vision of the European Union, but resultant of an intergovernmental pragmatic which tends to generalize political practice and economic systems existing in the major European Union countries.

To achieve the same result for different people (and Europeans are different in many ways: culturally, socially, economically), it should be treated differently, as Adam Smith says that *“The man of system, on the contrary, is apt to be very wise in his own conceit; and is often so enamored with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might cause to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.”*(Smith, p. 212)

The state should limit itself to the establishment of rules that apply to general types of situations and to allow individual's freedom, because only individuals involved in a particular situation may be fully aware and adapt their actions in specific circumstances.

Only conditions should be established using available resources, leaving it to individuals about the purposes for which the decision is to be used, “individuals themselves can plan with tremendous success.” (Hayek, 1990, p. 47)

Solid free-market institutions have not developed themselves as a deliberate project of a person or group of persons, but as expressions of the routines and rules, rules of participants in social and economic life, subjected to competition and refined over time through trial and error. Hayek said that as nobody has designed languages, no one designed the international trade mechanism.

Globalization limits arbitrary policies and intervention of governments as increasing the degree of liberalization of trade, direct investments and financial transactions. Companies and investors can avoid fiscal constraints and bureaucratic measures by moving activity to countries with liberal economic policies. But that choice is limited by transport costs, transaction costs and cultural differences. To think that economic spaces are completely permeable, means to transpose the model of “nirvana economicus” in reality and that is impossible. Although the global order has become the natural order of affairs, we cannot say that time and space have been compressed and from everywhere on the globe we can ever make any transaction. (Erhan, 2003, p. 35)

The bureaucracy has developed certain forms of hierarchical coordination and administrative harmonization in almost every area of public policy. Enactment of the approximately 97 000 pages of European Union legislation means import of institutions, administrative structures, practices and economic policies. The Communitarian Acquis best illustrates how law became an instrument of government. The draft of European Constitution (the longest and most politicized constitution of all time - 270 pages towards 17 pages of the U.S. Constitution), is a clear example of European centralism.

Europeans seem to have accepted the “European democracy”, without being closely examined the economic implications. Not only have underestimated the historical and cultural differences between European countries, but they ignored also the real benefits of competition between independent political structures. On long term Europeans prosperity is incompatible with centralization of political and economic decision-making process in the hands of political bureaucracy in Brussels, in a constructivist vision of a rationally planned society.

We have to leave aside ethnic differences, national character of each, the prejudices of collective mentality, and then is promising that we will live forever in peace, in complete happiness. Vladimir Bukovsky, an euro-realist, says that exact opposite will happen. After those 73 years of living together of the nations which were expected to form the harmony of the Soviet Union, there were several ethnic conflicts than any other country in the world.

The problem with the European Union is that we all may be buried under its ruins in an economic catastrophe and ethnic issues as complicated as those of the Balkans, and to change this situation will need at least a generation. (Bukovski, 2006, p.153)

#### 4. CONCLUSIONS

The future is open and everything can happen in Europe but the way of the bureaucracy is inadmissible. A society characterized by the presence of one of authoritarian or totalitarian forms of government or through some form of social control or oppression... I don't think that scenario would be right for Europe.

A complex society requires and needs simple rules and these rules must be only general rules. The individuals themselves, through trial and error will be able to act in particular situations.

Europe is far from being a Europe of Europeans, where the rule of law should govern. Europe is "a state of mind" and the best way seems to be a Hayekian, the commonly accepted rules let place for the spontaneous...

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