

RESOLUTION
of Liberal Think Tanks of Central and Eastern Europe
to Guy Verhofstadt,
Leader of the Alliance of Liberals and Democrats for Europe in the European Parliament

1. Representatives of 12 liberal think tanks from 9 countries of Central and Eastern Europe, taking part in the international conference *Liberalism In the 21st Century*, November 03-04, 2011, Bratislava, Slovakia, shared common concerns over the performance of *The Alliance of Liberals and Democrats for Europe* in the European Parliament and agreed to express their concerns in this open letter.
2. We are disappointed in the strategic documents of ALDE and positions of ALDE based on them. In our view, liberals represented in the European Parliament by ALDE significantly departed from protection of individual freedom, private property, small government, and low taxation, and shifted towards accepting more and more regulation, various government interventions, and higher taxation.
3. We believe ALDE completely misdiagnosed the roots of current problems in Europe. It was not “*the lack of common supervision*” that “*allowed the financial crisis*”. It was not caused by “*little or no regulation in the financial sector*”. It was primarily caused by the following fundamental long-term features of economic, social, and political systems of European countries:
 - a. Over-regulation, extensive welfare states, inflexible labour markets, trade union powers, etc. resulting in a loss of competitiveness and low economic growth.
 - b. Fiscal irresponsibility of many generations of politicians over decades, leading to expensive and unreformed systems like pensions, healthcare, and education.

Eurozone debt crisis was further increased by design flaws in the Stability and Growth Pact, and by excessive credit at low interest rates to peripheral countries thus causing an artificial boom that made current market adjustments unavoidable.

4. We also believe that ALDE, after misdiagnosing the causes, came up with utterly wrong solutions. It will not make us any better if “*the financial markets within the Union are regulated and done so at an EU level applying EU determined norms*”. It is both unreasonable and unrealistic to expect that “*coordinated economic governance with the European Commission in the driving seat*” will solve any of our problems. We are firmly convinced that the true solutions are as follows:
 - a. Less welfare, less regulation, less government interventions, more labour market flexibility, more business friendly policies – in other words deep structural reforms in all EU member states to solve the long-term imbalances and at the same time improve competitiveness of their economies.
 - b. Fiscal responsibility – a drastic reduction of government expenditures and radical reforms of tax-financed systems such as PAYGO pension system, health care, education.

In addition to reform of the Stability and Growth Pact it should be recognised that the EFSF - ESM only buys time; other indebted Eurozone countries that are currently not in trouble can get into trouble, and the EFSF-ESM is by no means a solution to fundamental fiscal and growth-related problems.

5. We expect from liberals in ALDE to always keep in mind that liberal capitalism was the key factor in more than 200 years of European prosperity. Europe today is increasingly giving up its very foundations, thus contributing to a relative decline of the West as compared to its major competitors. In order to regain its dynamic character, Europe needs to protect the remaining elements of liberal capitalism, strengthen it by further liberalisation, and make it more flexible. For us it is gravely disappointing to observe the performance of ALDE in these respects.
6. Creeping restrictions do represent the most dangerous form of threat to our freedom. It is especially identified by liberal think tank leaders from Central and Eastern Europe, who have had the common experience of a sudden loss of freedom by brutal force. The gradual undermining of freedom by a wrong policy mix and by bureaucratic restrictions killing the entrepreneurial spirit in Europe can one day end in the complete loss of freedom, if this trend is not reversed. We, all together, call upon ALDE: it is absolutely necessary for liberals in the European Parliament to return to their origins, back to the classical liberal values of individual freedom and its protection from government intervention.

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