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Presidential System in Microstate

Why microstate or very small state cannot lean on strong paternalistic power?

1. Microstate should avoid imitating public administration structure of big states. Microstate doesn't need same administration as big state. As many administration bodies as in big state, would bring high costs, and thus increase taxes and reduce competitiveness in a microstate.
2. Big administration in small state is dangerous. Most of population in a small country would probably work in state administration and public agencies. This could endanger democracy and individual sovereignty; in other words it could increase dependence from state. Dependence from state suffocates any kind of individual initiative; it endangers freedom and civil courage. This raises a question: Who is going to create income for big administration? Who's going to pay taxes in order to support such a big administration?
3. If a country is small, its internal market is also small. Montenegro is in a situation like that. Big companies cannot generate growth from such a small market; but they can generate growth from export to the markets out of Montenegro. Openness of an economy is a prerequisite for that. In other words Montenegro should be platform for business in the region similar to the platforms for airplanes in the ocean!
4. Logics of markets must be stronger then logics of state and politics. We insist on openness and markets. This imposes a question: how to increase competitiveness of Montenegrin products on regional and international markets? The essence of the microstate is in increasing competitiveness of Montenegrin economy. That's why I keep on asking Montenegrin »heroes of consumption at somebody's else expense« to argue against this!

1. Three issues included in the concept of microstate

Discussion about this includes:

1. Choice of the type of economy and macroeconomic policy in Montenegro
2. Constitutional and political changes
3. Administration reform

a) Choice of the type of economy and macroeconomic policies

The question I raise here is: Is the type of economic system, defined as the way of thinking on the state level (macro-level), universal or should it be adapted to historical conditions and real circumstances in Montenegro? Are the origins of economic system in a smart head or in every-day's life?

Having in mind principles I mentioned above, my opinion is that government (and when I say Government I think of state and vice versa) in Montenegro should build the economic system on the foundations of economic freedoms, entrepreneurship, individual creativity, and efficient management. In my opinion, new role of state administration in macroeconomic policy should be understood from this point of view. It is also very important to understand these principles and their influence on size and organization of state administration.

Foundation of macroeconomic policy in the model I am presenting here are as follows:

Monetary policy – EURO is introduced as legal tender and thus, traditionally main function of monetary authority - issuing function is moved out of Montenegro.

Trade policy – Openness of microstate requires liberal trade policy. It means that all barriers should be abolished, including contingents, quota, tariffs; products must comply with standard requirements (quality standards, ecology standards and sanitary standard).

Fiscal policy – International standards must be accepted in this area, including law tax rates, wide tax base, and transparent budget policy. Tax competition in the region is sharpening.

Policies for regulation of infrastructure – Reform in this field is coming into center of attention especially after privatizations in area of telecommunication, energy sector, media, and water supply. International standard requirements should be benchmark and development of regional markets (for example in the energy sector) a goal of reforms.

Development policy – Three major directions of activities in this area are: attracting foreign investors, promoting entrepreneurship and investing in human capital should.

b) State administration reform

Role of state administration in macroeconomic policy is evidently reduced. There are two main reasons for that: (a) state must give up its place to market forces; (2) decisions in many areas (about different policies) are made on the levels out of Montenegro (EU, international organization...).

These requirements won't be satisfied without **new organization of state administration**. We need completely new organization of state administration; state administration must become completely professional.

Following elements are important in order to understand new role of state administration, its size and organization, as well as its impact on macroeconomic policies:

1. Share of private sector in providing public services must be increased. Public services don't have to be exclusively organized and provided by state: experience showed that private investors and entrepreneurs could provide more efficient and cheaper public services. It is an international mega trend.

2. Transparency and importance of transparency in microstate is much bigger than in big state (because transparency disables rent-seeking and corruption).
3. Role of independent institutions, associations and NGOs must grow. Governments are losing monopoly positions they used to have. On the other side number of people who build market institutions and participate in public life is increasing!

If role of state and macroeconomic policies in a microstate is as described above, we come to a question: **What kind of an economy is appropriate for a microstate?**

1. Entrepreneurial economy: economy where market as coordinating mechanism is more important than state; big companies are more important than political parties; economics is more important than politics.
2. Non-material production factors, such as knowledge, information and services have huge importance in this kind of economy. These production factors are much more important than material factors.
3. Small and medium enterprises and its flexibility are also very important for this kind of economy.

Does state redistribution increase income? Could we believe that state consumption is multiplicatively influencing development? In small economy this is not the case: all multiplicative effects are expiring very soon!

In a word, if citizens of Montenegro want to live better in next decade, they will have to produce goods and services, whose production is not leaned only on natural resources, but also and before all, on knowledge, creativity and entrepreneurship!

In my opinion, in the area of globalization a territory with population of 620.000 people and 300 km of the coast (and sea is a symbol of openness) cannot be closed if that country doesn't have strategy of historical disappearance.

c) Constitution and political changes

All I have said before must have constitutional foundations. On the other hand, political system must be in accordance with the ideas described above. It means that political system I will describe below is not derived from my wishes. It is a try to derive universal standards from our reality: our tradition and culture, our mentality, our size and economic power. Constitution is the key legal act! Constitution is stronger than anything else! It shouldn't have more than 10 articles. It should, on one hand, flame up and, at the same time, tame the democracy. In my opinion Constitution should guarantee protection of three key individual rights: right to life, right to dignity and property rights. All other rights can be derived from these three groups.

Political system is connective tissue! It is mechanism that coordinates private interests of individuals on political markets, similar to economic system, which coordinates private interests of individuals in economic area. Individual agents on political market are voters! Individual agents on economic agents are consumers! What is mechanism that coordinates my behavior as a voter and my behavior as a consumer? The level of coordination between these two functions of individuals in a society indicates how much democracy is mature in that society!

It means that an individual and his private interests are in the basis of political system. There is no such thing as public interest if it is not derived from private interests of individuals. That is a task of political system.

When I am talking about Constitution the fact that Montenegro is civil state means that citizens and their private interests are in the foundations of the Constitution. Constitution is legal act that protect private interests of all citizens. That is the reason why Constitution is adopted in democratic procedure!

I have to emphasize the fact that I am talking about the Constitution of the country with population of 620.000 people and political system, which has to coordinate interests of 620.000 citizens. Both, Constitution and political system has to serve citizens and their private interests. If that is not the case, do we even need state? Why would we need state if it doesn't serve interests of its citizens? Constitution has to originate from people – from interests of every individual in society! Constitution is not a sacred act, which comes from holy framer of Constitution – whether that is God, king or ruling political coalition. It is a contract between citizens, who voluntarily agree on the way to protect their personal interests!

There is no protection of minorities in a society where constitutional system doesn't protect personal interests of every citizen! Constitution doesn't regulate passions in a society! Constitution regulates private interests!

We are not allowed to talk about civil state if we are arguing against private interests! Expression “civil state” is not just a phrase!

Next question I raise is: Why all people want to go into the politics; why do everybody want to become politician; why are people more then happy to work in state administration? What are the reasons that career in state administration is so attractive? Everybody want power to redistribute money earned by people who own companies; money earned by farmers who raise cattle, grow fruits and vegetables; money owned by investors! Many people want secured job positions!

Why don't we ask ourselves: if we want capitalism, why is our educational system still oriented toward administration and politics! Why is success in administration and politics always respected, and on the other side, success in business is always suspicious?

It is the key question of political system! Political system, among other things, creates ideology! When I talk about ideology I talk about understanding and explaining reality! Is that ideology of redistribution: belief that state is producing money; belief in power of bureaucracy; belief in public interest; belief that an individual must be guided through life by state and smart authorities? Political system can develop ideology of earnings; gaining profits; ideology of creation; personal initiative and personal responsibility; ideology of individual freedom. Economic system, on the other side, produces goods and services, i.e. economic system creates money. Thus, money is a connective tissue between economic and political system.

What is the way these two systems treat money? Is the money in economic system treated on the same way as in political system? Is political system developing ideology of fair distribution? If that is the case, the basis for closed system, protectionism and closed economy are created. Or, does political system promote success, creativity and innovation; gaining

profits and earning money? In this case, results are openness, internationalization of life and individual freedom!

What does political system long for? It longs for domination over economic system! It means that it is much better to be in politics, then in business! It means that it is much better to work in a state owned company then in a private one; that secured job is much better then market risk, no matter what does it take!

Discussion about political system is discussion about philosophy of understanding life! It is philosophy of explaining reality; philosophy of your own life; philosophy of protection of your personal interests.

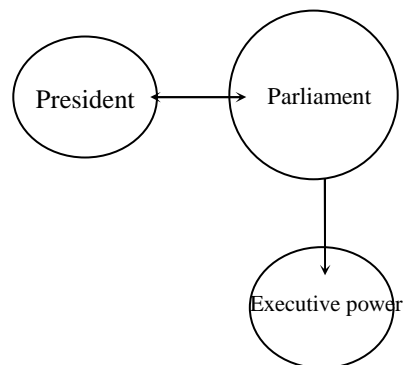
What kind of political philosophy is dominating in Montenegro today?

How do we understand logics of earning money and creation in a country where state takes 50% of what an individual earns and redistribute it according to “public interests”? Can you understand the situation where you invest your 1000 EUR, make profit of 500 EUR, and state takes 250 EUR of it. And above all of that, people that live on your expense, give you moral lessons saying: “You businessmen are unfair!” Any success is suspicious!

2. How does political system in Montenegro look like? What are the implications of political system on economic system?

Three key institution of a state are listed below:

1. Parliament
2. President
3. Executive power - Government



What does this system lack, from economic point of view?

1. Executive power – government is dependent on Parliament. It means that new elections can be requested at any point of time. Executive power – government doesn't have certain four years term. Increasing uncertainty always has its economic price!
2. What are the functions of Parliament? Parliament adopts laws prepared by executive power. I think that important question here is why doesn't Parliament take responsibility and prepare laws? Why is executive power – government engaged in

drafting laws? This engagement of executive power – government in drafting laws take high costs. It also takes attention of Government away from everyday real problems!

3. What is the role of the President of Republics? Does the President have only ceremonial functions?
4. Does a system like this increase administration? Does it give more importance to politics, then to economics? How many advisors does the President of Republic have at this moment? How many advisors does the President of the Parliament have? How many advisors does Prime Minister have or Deputy Prime Ministers? Quasi-centers of power are created on different levels.

5. How much does these bodies and election in Montenegro cost?

<i>Description-mil €</i>	<i>2003.</i>
<i>President of Montenegro</i>	300 000
<i>Parliament of Montenegro</i>	2 560 000
<i>Government of Montenegro</i>	2 210 000
<i>TOTAL</i>	5 070 000

<i>Elections (u mil €)</i>	<i>2003.</i>
<i>1. Parliamentary</i>	1 600 000
<i>2. Presidential - I round of elections</i>	1 300 000
<i>II round of elections</i>	+ 700 000

Where is factual center of power today?

Real power is in leading committees of political parties in power. President of the party, or better to say presidents of parties in ruling coalition are the people with the greatest power in Montenegro today.

In a situation like this, if Prime Minister is not at the same time president of political party he belongs to, he doesn't have real power!

This statement doesn't depend on the fact which party is in power today! This is the concept built in the system!

The question I raise is: What is the way to change this? What is the way to avoid current situation where political system depends more on political parties then on the citizens?

In small state such as Montenegro transition from **parliamentary to presidential political system** is a solution for change.

I think that a starting point for this analysis should be complete separation between Parliament and executive power – government.

Parliament is consisted of members of political parties! Political parties, i.e. their members represent citizens. Key role of the Parliament is to adopt laws! Laws should protect private interests of individual citizens.

Executive power – government implements laws! Executive power is protecting private interests of individual citizens on the implementation level! Executive power is protecting rules of the game! Its role is similar to the role of the sports referee!

If executive power is dependent on the will of political parties, it cannot implement “rules of the game” impartially and transparently. Is anybody from executive power courageous enough to fire 5000 people and to count on victory on next election?

The main issue here is how to free executive power from current politics? How to free executive power from desire to take care more of equality, then of freedom; more of justice, then of environment where people are earning money and doing business? Is introduction of presidential system adequate answer to this question?

Possible consequences of transition to presidential system are listed below:

1. Legislative power would be separated from executive power – Parliament would be separated from President of Republic
2. President would choose and nominate members of his Cabinet – not every member of his cabinet should be from coalition in power
3. President, as a representative of executive power would have no fear either from Parliament, or from boycott of Parliament and opposition. He has got the chance! His term is limited in time: he could win elections two times in a row and rule two terms at most!

What are economic implications of this change?

1. Politics is becoming more professionally responsible! Both, Parliament and President would get 4 years, each to show what can they do!
2. Possibility of obstruction in the system would be lowered! Concrete, real life questions would come to center of attention; ideology and politics would lose primacy they have in current system!
3. In changed system politics is not as important as it is now! In current system, any time there is a possibility for pre-term elections, thought of ordinary people are much more oriented toward politics than toward business, making money and economy! If we add this to mentality of people in Montenegro – politics become our destiny!
4. Direct economic figures involved in this game with democracy are not insignificant at all! It is very easy to say: we want reforms; we want money; we want new elections, etc. But the real question is: who is going to pay all of that? People who are bearing the costs of this game with democracy are farmers who are plowing fields and raising cattle; workers from factories; entrepreneurs and investors! Nobody else is bearing these costs: neither politicians, nor administration; neither journalists nor quasi-elites! These people never make money! But they'll have to eventually!
5. Property rights are basic human rights! High taxes endanger property i.e. natural human right! That is why in my opinion taxes are proof of endangering human freedom and individual property!
6. Transition to presidential system provides adaptation of current administration in Montenegro to new system! Changes in current administration are just a try to add a new system on old administration! This approach causes high transaction costs!
7. In new system President is elected on free elections! He gets strong power, but strong responsibility as well! He forms his Cabinet. Who will be members of his Cabinet depends only on him, not on the political party he belongs to. Members of his Cabinet

could be members of opposition parties. President is taking responsibility! His stake in this “game” is his second term: he is not responsible to the political party he is a member of! Political parties are present only in the Parliament!

8. In my opinion Cabinet of President of Montenegro should not have more than 8 members - ministers. Members of Presidential Cabinet should be:
 1. Prime Minister;
 2. Deputy prime minister and Minister of finance;
 3. Ministry for economic development, technology and physical planning;
 4. Ministry for health and social development;
 5. Ministry for education and science;
 6. Ministry for sport, culture and art;
 7. Ministry for security;
 8. Minister for international relations

Certain agencies should be established as well!

The idea is that private sector would take many functions and activities from state administration!

9. President of Montenegro in new system would not have his army! In my opinion it is an incentive for President to focus on everyday problems of citizens. He would become aware of the fact that he won't sit in his office after the first election term if the results of his activities are not visible!
10. Presidential system would influence raising professionalism in state administration! In current system high position in a hierarchy of political parties very often serves as a reference for a high position in state administration hierarchy!
11. New system increase possibilities to raise participation of private sector in providing public services.
12. New system has higher level of certainty – in economics it facilitates decision making process, especially in middle and long term
13. Presidential system reduces tendencies toward growth of administration; this growth of administration is unavoidable consequence of EU laws implementation
14. I think that economic consequences and costs of the system should be one of the key criteria in decision-making process on what kind of political system is appropriate for a society! This, of course, doesn't mean that these two criteria are the only ones – and that is the truth in most cases! Taking in consideration economic reasons only, presidential system has many advantages over other kinds of political systems in Montenegro. But, transition to presidential system would be one of the most difficult reform steps; it would probably take 5-7 years! I am certainly sure that dominant political thought in Montenegro today would definitely oppose these changes! That's why I am not an optimist about accepting ideas I presented here!

3. Instead of conclusion:

The question: whether presidential political system is better and more efficient than parliamentary is always present, in theory and practice. There are many arguments pro and contra each of these two systems. It is not historically “expired” question, as many opponents of presidential system would state. Besides, if somebody supports presidential system doesn’t mean that he is trying to build that system for any particular person in advance! President is elected on free elections! The role of political parties is pretty much reduced in presidential system; on the other hand this system leans on the interests of middle class. But the fact is that introduction of presidential system depend on decision of political parties. This decision would endanger position they have in current system and that’s where strong resistance to an idea of presidential system in Montenegro is coming from.

Indisputable fact, on the other hand, is that presidential system has its shortages; introduction of this kind of political system in society brings certain risks. That’s why this system shouldn’t be taken as absolutely ideal for granted.

As a free-market oriented economist; supporter of ideas of economic freedom; believer in small but efficient state and limited political power, I gave unambiguous economic arguments why presidential system is more appropriate for Montenegro. I am also aware of the fact that economic reasons are just one type among many criterions that need to be considered when the idea of adequate political system is tested.