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## **The Hayek Lifetime Achievement Award 2021**

### **The speech of Prof. dr Veselin Vukotić, the award-winner**

Good evening. Thank you all for coming tonight. I stand in front of you delighted and honoured to receive this award.

At this very moment I am thinking about a very distant event from the past when several decades ago in Moscow I received, in secret of course, two Hayek's texts: "Our Moral Heritage" and "The Use of Knowledge in Society".

I immediately started reading these texts. One idea, in particular, felt quite close to me: private property as the basis of the organization of an economy. It was probably because of my upbringing in a rural countryside – it was as if Hayek described how my household was organized. It is also true that we were more efficient than the state business next door.

The second text seeded a doubt in my mind about centralized planning... A doubt that in a few years will grow into my open disagreement and criticism of the system. My thinking was very simple: "So why do all my professors criticize Hayek when it seems to me that he is right?" ... I slowly, drop by drop, started to question what I was taught at the University – that state property is the most efficient type of property. The last



drop that made the cup run over was when I connected Hayek's texts with secret conversations I had with my uncle as a child. He was a partisan who, as a top military person during the war, was sent to prison when he started criticising the politics of that time. He told me, thinking of the socialism, "This is all A LIE". I must admit that I doubted his words, and that for some time the ideology of the system that was very skilfully inserted into the minds of young people, was stronger than the fight in the words of my beloved uncle.

However, another doubt kept me awake. In fact, most professors, regardless of their field, pointed out to Mises and Hayek as the key enemies of socialism. There was a proverb in my village: "The one who everyone attacks is definitely worth something!" ... The criticism of Furboton-Pejović's thesis that socialism cannot survive was feeding these doubts. I started reading Pejovic's texts as well. Indeed, being so young I became confused.

My dear friends, Dostoevsky once said that *there is nothing more fantastic than reality!* Oh, was he right! Today, I am receiving an award from Hayek Institute, and I met Steve Pejović and we were friends for decades! Could have I then, confused by the reality in which I live and participate and the inner unrest of disagreement with that reality, dreamed of tonight's award and of sincere friendship with Steve Pejović?



Life is a miracle! You never know where the river of life will take you!

Thus, as a young Assistant Professor, upon the recommendation of my dear professor Boško Gluščević, whose proposal I unwillingly accepted, I became a member of the Government of Montenegro and the director of the Central Planning Institute. Those are the years after Tito's death, the years when the germs of its later bloody disintegration were beginning to be seen quite clearly in Yugoslavia! Believe it or not, as the director of the Planning Institute, I became a determined fighter for the private property and for the market. Why?... One Hungarian philosopher, Bela Hamvas, said that *no one can become civilized without overcoming primitivism that we all have by nature*. That is how I, throughout my life, understood the illusions of state planning. It is hard to believe today that, back then, I had so much courage to advocate for the transition to market economy, even in front of the then President of Montenegro. He would always say: *"Too bad, a smart young man, but crazy about market!"*... Nevertheless, I became a member of the Commission for Critical Analysis of the Political and Economic System in Yugoslavia, led by the then President of Yugoslavia. Each republic had two representatives. The President of Montenegro and myself, a young Assistant Professor unknown to everyone, were there! ... The most famous economists of Yugoslavia were also invited!



The prevailing thesis in the discussion was: *"Our system is good - people don't implement it! ... The system is good - people are not!"*... It is not easy to be brave in such a bureaucratic environment!... Nevertheless, I dared to be direct and said: *"We are changing the system, we are introducing private property!"*...

Several other people pointed out the same thesis after I did it!... Immediately after that (1989) I was elected to the Government of Yugoslavia and became the Minister of Entrepreneurship and Privatization... And, I worked on the first Law on privatization in Yugoslavia. Believe it or not, that law had only 10 articles - that was my fight against the bureaucratic writing of laws with hundreds of articles! Thousands of Yugoslav companies were privatized under that law. I would not talk much about the experience in the Federal Government, and especially, about foreign advisers who were bigger socialists, socialists from the welfare state, than us who they were sent to advise! I started to read and research even more, especially Mises! Hayek and Friedman, as well! I discussed issues and concepts with Steve Pejović... Frank Knight's book "Freedom and Reform", which I bought during an official visit to America, had special importance for me in that period.



Yugoslavia was falling apart in blood, despite an economic program that was accepted by millions of citizens. Then I experienced the shattering of two of my illusions: the dream of the survival of my homeland Yugoslavia and the Marxist illusion that the economy is the basis of a society ... I returned to Montenegro from Belgrade! In 1992, I founded the international postgraduate studies "Entrepreneurial Economics"; which I can consider the time when the Austrian School of Economics was born in Montenegro as well!

Indeed, even then I realized that neither revolution nor reform can change society! I was a participant in both. Revolution eats its children, and reform just masks reality. Only the transformation of people leads to development. As the Dalai Lama said: "The only thing left for us is education."

Yugoslavia was falling apart, the economy was collapsing, we had hyperinflation - I still decided to establish postgraduate studies, with a curriculum focusing on private property, entrepreneurship, market, open economy, English language... People were asking me: "*the University and politics allow it?*"... I accepted the advice of the director of the Institute of Economics in Berlin, who, while I was in the Federal Government, told me that **unstable times are the times for changes**... The president of the Council of these studies was Steve Pejović, and his deputy was Enrico Colombato! We had



lecturers coming from America, the Liberty Fund, the American Institute of Entrepreneurship, the CATO Institute...

Eight generations of postgraduate studies "Entrepreneurial Economics", about 250 young people, were educated human capital that enabled reforms in Montenegro and regaining of its independence... All this confirmed that the transformation of society requires the transformation of the individual.

In 1998, with the help of USAID, I founded the Institute for Strategic Studies, which became and remained the nucleus of the development of a new Montenegrin economic thought based on the ideas of the Austrian School of Economics. The development of new economic thought in Montenegro was contributed by my membership in the MPS, and later by six more of my associates. Thus, at one point, Montenegro had the largest number of MPS members per capita. ISSP and postgraduate studies "Entrepreneurial Economics" professionally led the reform in Montenegro, for a period of 10 years, from 1996 to 2006, when Montenegro restored state independence in a referendum.

I would not talk about the experiences of these reforms! Let me just say that I am especially proud of two things:

1. Introduction of Deutch-mark and Euro as a legal tender in Montenegro. When asked if we had consulted the





Bundesbank to use DEM as our currency, I said: "An entrepreneur never asks for a permission! ... As a rule, if they ask, they will be rejected!"... Montenegro uses euro today, although it is not a member of the EU.

2. The concept of Montenegro as a micro-state. I became aware early on that effective economic reform is not possible without a radical change in the public sector. My idea was to have a small, professional administration, and to make people independent from the state by creating their own private businesses, and especially, through investing in their health and education. Although this proposal was not accepted, I am proud of it, because it is present as a germ in the minds of young people. The time will come... I'm sure!

Rejecting the concept of Montenegro as a micro-state also meant personal restructuring: together with the professor of the Faculty of Law and my friend, Dragan Vukčević, we went on an adventure of my earlier idea: founding a private university!... We built a building - the largest private building in Montenegro! We apply the principle of the Austrian School of Economics: **every investment should be financed by the product market of that investment...** And indeed, the UDG is a textbook case of a true entrepreneurial venture, as described by Kirzner and Boettke ... Too little time has passed for me to give any final assessments of the UDG. I always remember the



answer of the Chinese leader Zhou Enlai to France. When, 200 years after the French revolution, he was asked what he thought about the French Revolution, he said: *"It is still early, not enough time has passed!"*... What I CAN TELL you is that it is a university that counts about 25% of the student population of Montenegro. Our mission is **to enable the student to be a responsible citizen of the global world!**... Professors from all continents teach at the University! In addition to Montenegrin, the official language is also English! At the moment we are touching some world peaks in education and research: in the east, in China, we are a member of ANSO, an organization consisting of about 50 national academies from around the world, especially from Europe and the US, and we are one of 5 universities-members of this Academy... In the west, we are about to sign a contract with Arizona State University, a first-ranked university in the United States in the 5<sup>th</sup> wave of development of American universities, we have joint studies with the French university Vatel, now LSE... There are also international projects and international research collaborations ... Memoranda of cooperation with about 150 world universities... We are aware that the international network and international branding is a condition for the survival and development of the UDG.





The University of Donja Gorica was built on the ideas of the Austrian School of Economics. It works according to those ideas. The subject "Austrian School of Economics" is studied within full-time and postgraduate studies... A large number of graduate theses in this field!... For us, the Austrian School of Economics IS a way of thinking; way of understanding studies.

I am aware that today, 150 years since the founding of the Austrian School of Economics, it is facing great challenges! There are a lot of those who think that this school disappeared or will disappear!... I don't believe in that!... It is too vital to disappear! Our University has the idea of life in its foundation, not the idea of expertise, the idea of narrow specializations! Therefore, our model  $S = z \cdot i^2$ ! Economics, if it is a science, is not mathematics! It is more psychology, ethics, art. Economics cannot be explained by economics alone. In order to have influence, economics must be understandable!... And, whether the books awarded, for example. this year's prizes in economics, which can hardly be read by narrow specialists, can contribute to the development of economics and its future as a science?

Therefore, it seems to me that it would be necessary for the future of the Austrian School of Economics, its development and better understanding, to connect more



with Greek philosophy, especially the pre-Socratics and early Greek philosophy. Early Greek thought was born from life, as was the philosophy of the Austrian School of Economics.

We must not forget that Mises wrote "Human ACTION". Indeed, economics is the study of human activity. Human actions are sometimes rational, sometimes irrational, sometimes predictable, however, they are very difficult to model them predictively or by using graphics... Unexpected events shape our lives!... My life was also shaped by many events, unexpected for me.

I believe in the future of the Austrian School of Economics, I believe that it will also celebrate two hundred years since its founding. The UDG was and will remain one of the intellectual centers that will spread and develop the ideas of the Austrian School of Economics!

Finally, I thank Hayek Institut and Austrian Economic Center. Especially, I thank Barbara Kolm, professor and an honorary doctor of the UDG, for her great help, for her strength to preserve and develop the Austrian School of Economics! Indeed, the Free Market Roadshow, which takes place every year in more than twenty European cities, requires strength and enthusiasm. But above all, it requires humanity!



Indeed, the Austrian School of Economics is dominated by good and reasonable people, people of life ... And our Barbara proves that!

Dear friends, thank you for having the patience to listen to an "Austrian" from the Balkans. A person who understood and learned the ideas of the Austrian school, not only from books, but above all, from his life! Learning with life means learning with heart! ... And we learn now and here too! That is why all of you present tonight will remain in my heart forever!

Thank you!

Cheers!