



Episode 979: Liechtenstein: The Closest Thing to a Libertarian Country?

Guest: Andreas Kohl

WOODS: I've had some interest in Liechtenstein among my listeners for a while, but I have not been able to get anybody on the show with any knowledge of the subject. And then I read the text of your talk on this and I thought, Perfect. This is a perfect — In fact, I think somebody actually sent it to me. A listener sent it to me and said, All right, Woods, now you have no excuse anymore not to talk about Liechtenstein. Here's a guy who knows about. So tell me in 60 seconds, just give me background as to why the example of Liechtenstein is of particular interest, because I bet a lot of people even who listen to this show don't realize what's so extraordinary about it.

KOHL: Sure, yeah. Well, just in 60 seconds, I would say that it's an absolute monarchy with a monarch who is absolutely and radically libertarian, and really what's so unique about Liechtenstein is from its 2003 constitutional amendment, which gave every single village in the country the right of secession. I think that's totally unprecedented.

WOODS: That is totally unprecedented. Now, the population of the entire country is apparently 38,000. Very, very small, although with very low population density. You point out that Monaco is roughly similar and is 80% smaller geographically. So we're dealing with a very small place, and we're dealing with a place in which the villages have substantial autonomy. In fact, say something about the ability of a village to propose a referendum.

KOHL: Yeah, so in order to start a local referendum, you only need the signatures of 5% of the local eligible voters. So in the smallest village of Planken, this actually means — there's 280 eligible voters. This actually means that you only need a handful of signatures to start any sort of local referendum, including independence.

WOODS: So do you know any examples of the kinds of referendums that have passed or been proposed?

KOHL: Well, usually the most common kind of local, village-level referendum is usually to give someone in the village citizenship. So Liechtenstein has one of the longest naturalization processes in the world. You actually need to live in the country for 30 years before you get citizenship —

WOODS: Whoa.

KOHL: – unless you live in the same village for 10 years, and then your local community can have a vote on giving you citizenship.

WOODS: Wow. Well, that's quite an interesting policy, isn't it?

KOHL: Yeah, it's in order to promote local integration into the community. It's a very kind of family-driven culture, and of course this means that they're quite careful about who they let in.

WOODS: Tell me about the philosophy – Well, first of all, what is the name of the – I guess the prince is in charge now, de facto? Tell me how that works. And then I want to know their actual philosophy. They're doing this on purpose because they believe in something.

KOHL: Yeah, so I'll explain the political system of Liechtenstein a little bit. It's quite unique as well. You have an absolute monarchy that's basically completely sovereign and has absolute power to legislate. There is also a parliament, and in practice, it might seem like the parliament and the monarchy have basically the same power, although the monarchy at the end of the day can veto the parliament. It can dissolve the power, which makes it more powerful.

There is then a direct democracy, so at the national level, you need 1,000 signatures to start a referendum or 1,500 if you want to change the constitution. These referenda always supersede and override the parliament, but the prince can veto a popular referendum, unless it's one of two different types of referenda. If you start a referendum to get rid of the current prince and then the princely family has to elect a new prince, or if you start a referendum to get rid of the prince's family, abolish the monarchy altogether, then in these two cases, the prince will not be able to veto.

Then afterwards, there's an additional layer, which is local governance, because every single village has a lot of autonomy. So for example, the national income tax in Liechtenstein is 1.2%, but the average person pays an average of about 17.8% income tax because the rest is levied at the local village level.

So yeah, right now the current prince is Prince Hans-Adam II, but in Liechtenstein, the powers of the reigning prince aren't transferred to the son upon the death of the prince. What they do instead is that the regent actually gets handed the power some time before so that he can kind of learn on the job, so the current regent is Prince Alois, who effectively rules the country even though his father has the ultimate say.

WOODS: Now, how is it possible that – It can't just be the case that the ruling family happens to be ideologically a certain way. The people would presumably also have to be on board for this, so how do we account for the fact that there just happens to be such a concentration of people who feel a certain way in this one place, given that everybody seems to feel the exact opposite way in the rest of the world?

KOHL: Yeah, well, that's a question I've asked myself a lot. I think there's a lot of factors to be considered. On one hand, the princely family's ideological convictions resonate very strongly throughout the population of Liechtenstein, and that has a lot

to do with the legacy that the princely family has. They've always been very benevolent, very charitable rulers. Liechtenstein used to be a very poor country. Nowadays, it's known as being one of the wealthiest countries in the world. But they only really got their wealth in the late '60s, early '70s. Throughout most of history, Liechtenstein was a very poor farming, agrarian community, and they had a lot of famines, which the princely family answered by selling a lot of their own assets just to feed the country. So that's a factor that contributes to the people really caring about what the princely family think and really looking up to them as leaders, natural leaders.

Another factor I think has to be time preference. So I think most of your viewers will be familiar with time preference, but just in case, having a high time preference typically means that you prefer present satisfaction even at high future costs, whereas a low time preference means that you prefer future satisfaction, maybe even cross-generational satisfaction, even at higher present costs. So I think Liechtenstein has a culturally imbued low time preference, probably the lowest in the world or amongst the lowest. And historically, one of the reasons for that is that Liechtenstein geographically lies on a very inhospitable area. It is on the bed of the Rhine River and just below very tall Alpine peaks. So the river before dams were built used to overflow very regularly and destroy everything in the valley, and they also used to get a lot of avalanches that would destroy everything. So you can imagine constant destruction from below and from above. They had to develop their culture in the context of constant destruction and reconstruction, which means that they had to have a lot of foresight and be the kind of people that save a lot of resources for the future. I think there's an undeniable correlation between lower time preferences and more libertarian kind of political outlooks.

WOODS: One thing that's been interesting to me is I just happen to know that Prince Hans-Adam has had good relations with Hans Hermann Hoppe, who's a great libertarian theorist. Has a lot of enemies in the U.S. who've never read a single word he's written, but he's absolutely brilliant and I will hear no disagreement on that score. And apparently they had some work together on the prince's recent book, on the manuscript. So tell me about that and tell me about this book, because apparently it's rather an overlooked libertarian work.

KOHL: Yeah, so Hoppe told me that Prince Hans-Adam invited him to the princely castle a handful of times and Hoppe did indeed edit the manuscript for *The State in the Third Millennium*. Now, *The State in the Third Millennium* is a really fascinating book to me. It isn't exactly the kind of Austrian literature a lot of us are used to. The prince describes it as sort of a political cookbook of recipes gathered throughout generations in his family. But actually, I'd like to read you a quote from one of the very first few pages in the book where he describes the goal of his book, and this has actually become one of my own personal goals as well. So I quote:

"I would like to set out in this book the reasons why the traditional state as a monopoly enterprise not only is an inefficient enterprise with a poor price-performance ratio, but even more importantly, becomes more of a danger for humanity the longer it exists."

That's a very powerful quote. This is a head of state, a recognized, legitimate sovereign saying that the state as a monopoly enterprise is a danger for humanity.

WOODS: That is rather an extraordinary statement from anybody, but in particular from a head of state. So given that he said that, how is that view manifested in Liechtenstein? There certainly aren't competing defense agencies in Liechtenstein, so what does he really mean by that?

KOHL: Sure. Well, actually, by abolishing the monopoly of the state, you don't necessarily introduce competition. What you are actually doing is introducing the potential for competition. But there aren't any competing governance agencies in Liechtenstein simply for the reason that there's no demand for a competitor. Everybody is so satisfied with the service of the current government of Liechtenstein that it would be unviable to try to start a competing agency. It wouldn't be legally impossible; there would just be no market demand for it. So actually, when the prince gave the right of secession to every village in 2003, this was after a pretty hectic argument with a lot of his opposition in the country, because he initially wanted to give this right of secession not just to every village, but also to every individual and their private property.

WOODS: Yeah, that too is quite an extraordinary thing. I mean, I've never heard of anybody anywhere who's ever been in charge of anything politically advance an idea like that.

KOHL: Yeah, and you know, I think it's such a shame that this whole constitutional affair has been overlooked by libertarians. We should have been on it. This was back in 2003. I wasn't really in the movement yet. I was very young. But there wasn't anyone really recording this or keeping track of it, from a libertarian perspective, that there was actually a head of state trying to implement anarchocapitalism. I mean, how amazing is that? And what a shame it is that nobody has actually really heard of it.

WOODS: In your talk, you say, "I'm going to be telling you about this wonderful and fascinating place, but at the same time, don't move there." What did you mean by that?

KOHL: Well, what I mean by that is Liechtenstein, even though it is the ultimate expression of libertarianism – I don't think any country in the world has implemented libertarianism to the extent Liechtenstein has – it's also a very conservative culture that's very careful about letting new people in. They can be skeptical of foreigners. It's a high-trust society with very high in-group preferences, if that makes any sense. I don't think it is viable for libertarians to try to move there, especially because immigration policies won't allow us, but also because I don't think we'd be welcomed at all. We'd be seen as trying to change something that's already perfect, and I think the cause of liberty is too great for us to abandon it in our respective countries. And that's not saying that people under oppressive regimes shouldn't try to get away. I'm just saying that while we are still able to stay in our own respective countries and not put ourselves in any significant danger by doing so, I think the cause of liberty, the fight of liberty itself will be much more benefitted by us staying there and trying to change things within our own communities, which is where we have the biggest leverage.

WOODS: Now, this is a question that's going to show that you and I have never met before, but where do you live?

KOHL: [laughing] Right now, yes, so this will sound a little bit hypocritical from me, because I'm actually trying to emigrate to Liechtenstein –

WOODS: Ah ha!

KOHL: Right now I live right on the border on the Austrian side. I still haven't gotten a Liechtenstein residency permit. And this is a process that will probably take all of my life, integrating into this local community. They have a very strong local dialect that you can't really learn on the Internet or anywhere else. But it's something that I've decided for myself because I don't have any strong roots anywhere. I come from a very multicultural family. I have four citizenships. And I just didn't feel like I had any strong attachments anywhere, and that's something that, if you have it, I think you should really grab onto it.

WOODS: So it's a wealthy place in terms of per capita income, GDP, productivity. It has a diverse base of employment. That is to say, there's industry, there's agriculture, there's a financial sector. It's not any one thing. And you have this self-governance, really, on the part of villages up to the point of possible secession. And then in terms of taxation and other – you did mention briefly taxation, but other forms of economic liberty, we're presuming that it comes out pretty well?

KOHL: Yeah, it does, especially in terms of regulations. A lot of regulations are done at the local level, and Liechtenstein has actually become a hotspot for all kinds of niche manufacturing. And I think I read somewhere that it has the highest rate of research and development, maybe per capita, in the world.

WOODS: Wow, very interesting. All right, so if we want to find out more about this, we probably should read *The State in the Third Millennium*, the book that you mentioned earlier. That came out in 2009. So I'm going to link to that book at TomWoods.com/979, and you can be sure that you're going to be reading a book that almost none of your libertarian friends – probably none of them have ever heard of, much less read. But how unique that book is, as you say, quite unique indeed. And then I'm also going to link to the talk you gave on this subject, which is a nice precis of what it's like to – well, I suppose what it's like to live in Liechtenstein from a political point of view, but just overall you get the impression that this is a diamond in the rough, this is an amazing place. And in a way, it's almost as if they want to – you could understand why somebody would want to keep this the best kept secret in the world. I wouldn't necessarily either want to deal with a bunch of American libertarians half the time, moving into my country. *Get the heck out of here. Who are you people?* But anyway, tell me about your own website before we go, what that is.

KOHL: Yeah, so I work at a think-tank in Spain called the Foundation for the Advancement of Liberty, but I'm also starting my own think-tank right now called the Self-Determination Institute. That doesn't have a website yet. But the goal of this new institute will be to promote the ideas of self-determination as explained by Prince Hans-Adam and his own general political philosophy. One of our first works will be a self-determination index that will rank countries worldwide by how much they respect

the right of self-determination. Obviously Liechtenstein will come first. But yeah, just a shout-out so you can look out for this index, which I think will be pretty powerful.

WOODS: Okay, very, very interesting. So we'll link to the Spanish think-tank you work for. We've got all this stuff up at TomWoods.com/979. All right, well, thanks for doing this. It's kind of nice to have good news once in a while. There are 38,000 happy people in the world and that's 38,000 more than I was aware of before today, so thanks a lot.

KOHL: Thank you so much, Tom.