

EIR Conference Report

EIR in Prague discusses solutions to financial crisis

by Angelika Beyreuther-Raimondi

On May 13, the Czech Management Association (CMA), EIRNA from Wiesbaden (*EIR* in Germany), and the Schiller Institute held a joint press conference in the prestigious conference hall of the Syndicate of Journalists in downtown Prague. The subject of the press conference was the international financial and economic crisis. The invitation for the event featured Lyndon LaRouche and Helga Zepp-LaRouche as leading spokesmen of the Schiller Institute, who are “involved in searching for solutions to the world’s global problems.”

Engineer Ivo Gajdos from the CMA opened the conference by referring to the history of cooperation between the CMA, EIRNA, and the Schiller Institute, which goes back to an international CMA conference in Prague in January 1998, where Zepp-LaRouche delivered the keynote address to top Czech managers and businessmen on “The Euro-Asian Land-Bridge as the Motor for Global Economic Development.” The cooperation intensified throughout the year, and Gajdos mentioned another, rather informal gathering of experts, including from the Czech Finance Ministry, in December 1998, where the problems of the world financial crisis and the policies of the International Monetary Fund and World Bank were discussed, and Lyndon LaRouche’s New Bretton Woods proposal was presented. Now, the event of May 13, Gajdos stressed, was planned not only to analyze crisis developments, “but hopefully also to seek solutions, and in this way find a pathway out of the dead end.”

Crisis in the Czech economy

In fact, the Czech economy looks grim. In 1998, industrial production grew only 1.7%; unemployment increased 2%, rising to 7.5%; and the inflation rate stayed at an annual average of about 10%. Already in 1996, eleven banks were put into receivership by the Czech Central Bank, and to this day the situation in the banking sector is very fragile: About 30%

of Czech banks’ outstanding loans are considered “bad loans,” i.e., unrepayable. After the national parliamentary elections in June 1998, the chairman of the strongest party, the Czech Social Democratic Party, Milos Zeman, formed a minority government and became Prime Minister, but his government is dependent on a “toleration agreement” with Zeman’s leading onetime adversary, monetarist former Prime Minister Vaclav Klaus.

And, since the war began in Yugoslavia, the political situation in the country has become even more tense. According to opinion polls, the majority of the Czech population were not at all eager to see the country join NATO. In April, at the last conference of the ruling Social Democrats, nearly one-quarter of the delegates signed an open letter delivered to the Yugoslav Ambassador in Prague, condemning NATO’s actions against Yugoslavia as blatant aggression.

In this situation, the press conference drew significant interest, with 12 journalists from the Czech economic and financial news media present, as well as representatives of embassies, several Czech ministries, political parties, and university professors. Michael Liebig, Executive Director of EIRNA in Wiesbaden, gave the keynote on “The World Financial Crisis, and What To Do About It.” He was followed by Prof. Jaroslav Jirasek, a well-known honorary dean of the Czech Management Center in Celakovice, an adviser to the president of the CMA, and a man who has accompanied countless missions of Czech entrepreneurs to many countries, including to the United States and Asia.

In his remarks, Professor Jirasek praised the Schiller Institute as a “unique group” of people who provide interesting and inspiring ideas, especially for a country, such as the Czech Republic, where “conservative liberalism is so influential.” In such a situation, the ideas presented by the Schiller Institute are all the more inspiring, and Professor Jirasek referred especially to the studies of the “American Revolution economics,”



The May 13 seminar in Prague sought, as one speaker described it, "to find a pathway out of the dead end." Speakers were, left to right: Prof. Zbynek Pitra (Czech Management Association, CMA), Michael Liebig (Schiller Institute), Angelika Beyreuther-Raimondi (Schiller Institute), Prof. Jaroslav Jirasek (CMA), and Ivo Gajdos (CMA).

the revival of the works of Alexander Hamilton and Friedrich List, clear adversaries of the British System's Adam Smith, as very valuable and thought-provoking for scholars in the Czech Republic. The *Czech Manager Magazine*, read by the industrial elite of the country, in its latest issue also featured an article by Professor Jirasek on those subjects, in which he refers to the American System of Political Economy and to Lyndon LaRouche's intellectual contributions.

Participate in the real economy

Professor Jirasek was followed by Prof. Zbynek Pitra, deputy director of Sindat Consulting and vice president of the CMA, who taught for many years at universities and worked for companies in the United States. He urged the country to take part in the global economy, but *not* in the speculative financial bubble. To the contrary, he urged that the Czech Republic's tremendously valuable industrial potential take part in adding *real* value, producing *real* goods, and thus helping change humanity for the better.

Prior to World War II, Czechoslovakia was the seventh-largest industrial nation in the world. It was one of the key manufacturing centers in Europe, with a proud tradition of developing machine-building and engineering capabilities, and very advanced machine-tool industries. This potential was not destroyed. The great industrial fair in Brno, for example, founded in 1928, has been especially known, including during communist Czechoslovakia, for its machine-tool exhibits. And, engineering and science are highly regarded in the country today: In 1996, the Organization for Economic Cooperation and Development published figures showing that, of total university graduate output, former Czechoslovakia produced the highest percentage of science and technical graduates in the world, with 39% graduating in those fields.

And, as can be seen from the discussions at the conference, published below, there are people fighting today to save this precious jewel for a better future.

The Czech Republic exports its goods (mainly machines, transportation equipment, and semi-finished goods) primarily to its neighbors: 36% to Germany, 12.8% to Slovakia, 6.5% to Austria, and 5.8% to Poland. Its imports (mainly machines, transport equipment, semi-finished goods, and chemical products), show a similar pattern: Imports from Germany are 26.6%; Slovakia, 8.4%; Russia, 6.8%; Italy, 5.3%; and Austria, 4.4%. The close interrelationship among the industries in Central Europe could be, despite the real difficulties, of great advantage in a future in which Eurasian industrial development is dependent on exactly those industrial potentials, which still exist today.

Hopefully, the small-mindedness which still dominates today's policymaking, can be left behind. This state of mind is exemplified by the fight around the construction of the nuclear power plant in Temelin in South Bohemia. There, Czech Minister of Industry and Trade Miroslav Greg, who was educated in the traditional machine-building curriculum, and throughout his life was involved with the real industry of the country, supports completing the construction of the power plant, while the Czech Environment Minister is vehemently against it, as is President Vaclav Havel, who warned against an "industrial lobby" and a "dictatorship" of companies around the Czech Energy Plants firm. The European Parliament in Strasbourg even went so far, on the demands of Austrian Members of Parliament, as to condemn the construction of the nuclear power plant in an emergency meeting. Despite this, in May the Prague government decided to finish the nuclear plant. This stubbornness in defense of real industrial values deserves international support.