

ing real value. And, I am very glad that we can draw inspiration and support from the Schiller Institute. This leads me to conclude with a motto that we have concerning the development of the Czech economy. We believe that we should not focus on ownership-related strategies, but rather on real business strategies in real, existing companies and business entities.

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## Discussion

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# The IMF has harmed the Czech Republic

**Q:** My name is Winter; I represent WMC Marketing Co. I would like to ask, where the crisis actually is? That is my question, because we specialize in the Vietnam region, and we heard from our business partners there, who say, sorry, unfortunately our GDP has only grown 5%. Yet, our Czech economists say, that our Czech economy is in recession, and Gross Domestic Product is at zero growth. And we are a free and democratic country, and yet we have received only \$7.4 billion in direct foreign investment. This is remarkable, compared to Vietnam, which is a socialist country run by a communist regime, which over nine years has received \$31.2 billion in direct investment, that is, more than four times as much as we did. I would like to ask, where is the crisis? Where do you think it is?

**Liebig:** All that I can say is that the world financial crisis on its Asian front has devastated all the countries which did not have basic capital- and currency-control safety mechanisms. China is affected by the crisis, but it is not devastated by it; its economic growth figures are declining, but its massive domestic infrastructure stimulus programs offset many of the external effects that have hit other Asian countries. Also India, which has capital and currency controls, has been able to avoid the worst impact. You mentioned Vietnam, and we should also mention Malaysia, which courageously, on Sept. 1, 1998, introduced capital and currency controls, after the country had more or less fully liberalized its financial markets.

So, I think there are basic principles of defending and protecting the national economy in those countries, which is not at variance with the promotion of international trade. It has worked. This is reality, and it can be contrasted to the devastation which we have in Indonesia, or worst of all, in the Philippines, or also in South Korea. Whatever is being said, that we have supposedly turned the corner; we have not. Nor has it been turned in Thailand. And then, just look at

the devastating situation in Japan, where you have a bailout situation not seen in financial world history; the dimensions of trying to deal with this \$2 trillion bad debt problem. The Japanese economy is contracting; in the first three quarters it has had a 4.5% negative growth in industrial output.

**Pitra:** I understand that your question was meant to be thought-provoking. I can imagine, that it seems rather paradoxical to say that countries whose GDP has started rising, are in crisis. Yet, our economists claim that our economy, which shows no growth, is still in a recession. It may well be that they believe that it has hit bottom, yet perhaps our country might still get into a rather worse situation.

**Moderator:** Before you think about your other questions, I wonder if this current economic crisis might have a solution, that Mr. Liebig might foresee?

**Liebig:** The concept of the New Bretton Woods, as outlined, designed by Mr. LaRouche, is not something that is unknown. The basic principles are very clear: We have to return to a stable currency system, which is solely focussed on real economic growth and international trade. We have to take measures in a New Bretton Woods of sorting out what is fictitious paper, and what is paper that is backed by real physical assets. We have to make sure that the basic social infrastructure is being protected, even under the worst imaginable crisis conditions, and that the savings of the vast majority of the population, the core savings, are being protected as well. And, simultaneously, we have to initiate a physical economic stimulation program, which indeed has to be a sort of globalized program; it has to be an agreement among sovereign nation-states, beginning with the United States and China, and including whoever would want to participate, with a maximum effect not only of job creation, but of creating net economic value through maximum scientific and technological progress.

Now, for all of these things, the designs are on the table. They are known to most governments—the United States Treasury knows it, the relevant finance ministries and economic ministries know them, in western Europe, in Russia, in China, there is nothing mysterious about it. We don't have to reinvent the wheel. There are many examples in economic history, notably economic reconstruction in western Europe after World War II, which was *not* a free-market experiment. In Germany in the 1950s, or the economic reform in France under de Gaulle in the 1960s. So, the policies are available.

What really is the issue, is one of *political power*. Where is the political power, where is the *will* to implement it? There you have to make a very sober assessment. Where is the willingness to recognize the crisis, and the determination to find a way out?

I can only repeat myself: Malaysian Prime Minister Dr. Mahathir bin Mohamad should be an example, how a tiny country had the nerve and the determination to do what is banned and vetoed and vilified more or less by the rest of the

world. He did it, and others can do it as well. So, really, it is not a question of economic theory, or economic plans, but it is the question of will and determination and political foresight.

**Pitra:** Just to re-word this, in drawing on a metaphor used in a Czech folk song about a broken stove. The question is raised, who is going to repair the stove? I believe, we should roll up our sleeves and repair it ourselves.

**Q:** My name is Drinek, I work at the college of economics in Prague, and I would like to ask Mr. Liebig what his view is of the introduction of the euro, and what role might the euro play in the current financial and economic crisis?

**Liebig:** We have been exceptionally negative on the euro, because western Europe, since 1979, had a well-functioning monetary system, the European Monetary System, which was introduced in 1979 and which basically had established currency stability, functioning perfectly for more than a decade, and it was only in 1992, when George Soros attacked the Italian lira and the British pound, with the purpose of blowing up this *system*, not just the lira or the pound, that it stopped functioning. Now, why did it stop functioning?

I claim here, that there was collusion between Soros and the principal European central banks, because they had to demonstrate that the old EMS system no longer functioned, *not* for economic or monetary reasons, but for strictly political purposes. The euro was introduced as one of the not-so-secret conditionalities for German reunification. Kohl was given—the documents are out, this is not my hypotheses, these are documented facts—Kohl was told in November-December 1989, by François Mitterrand and by George Bush: If you want to have our agreement to German reunification, the Deutschmark has to be abolished. And Kohl has revealed how, at various meetings, he was totally ripped apart, and he accepted the euro. That is how the euro came about, as a political lever, and not as an organic financial and monetary process. Kohl afterwards said: Well, I accepted it, so I'll try to make the best of it. But, how weak the underlying reality of the euro is, you can see in the past four months. The euro has lost almost 12% of its value, and I foresee that a great many more problems will arise with the euro; and I say that, knowing perfectly well that there is a lot of paranoia, especially in the United States and on Wall Street, who see this as a great threat to the U.S. dollar—that is really a different story.

**Q:** I would like to ask, how you see the factors influencing stability. It seems to me, that world history is like a film, in which we are unable to learn from past experience, and this leads me to be rather pessimistic about the developments in humanity, which seem to be rather uncontrolled, where all efforts are concentrated on relieving pain rather than tackling the causes for the problems. And, therefore, I would like to ask, what could stimulate the economic and political potential to get ourselves out of the crisis which has been marked by

many wars?

**Liebig:** I think it is very simple. History, and learning from history, can be as depressing as it can be encouraging; it depends, on where you look. There are in history, in European history and recent history, lots of examples that give us the sense that a turnaround is possible. Look at the situation in the United States during 1932-34, in terms of the Great Depression—and that crisis *was* turned around. It was a complicated process, but under President Roosevelt it was turned around. And, I should also emphasize, that Professor Jirasek went through the philosophical inspirations of Mr. LaRouche; for example, Leibniz, his grounding in the American System of National Economy of List, of Hamilton, of the Careys. But I think it is also very important, if you want to understand LaRouche, you have to look at the inspiration he gets from President Roosevelt. In the same way, I would say, in terms of continental European history, look at what was possible after the devastation of the war, in terms of building. And the enormous reconstruction in the 1950s and 1960s. What was done in France under General de Gaulle.

So, I think, if you look at history in *this* way—yes, I do not want to belittle the crisis one bit, quite the opposite. But, I think that there exist in history enough precedents that encourage us and give us confidence. It is going to be extremely difficult, but it can be done.

**Q:** My name is Jirsa, I work at the Czech Technical University. I would like to make one suggestion, that the Schiller Institute should also focus on the unjust redistribution of wealth among not only the countries of what we call the First and Third Worlds, but also vis-à-vis the Second World, or, in other words, the post-communist countries. Because, if you look at the example of this country, the IMF, back in 1990, basically dictated the exchange rate for the Czech crown, which was not market-based, and which bore no relation to the purchasing power in this country. So, our country not only did not receive help, but in fact was harmed by this measure. I believe that the Schiller Institute should also look into these aspects.

**Liebig:** We will, but we also have done quite a bit of work on that, which we can make available to you. But your advice is well taken.

**Q:** My name is Chilar, I work for the Gradus Consulting Co. My contribution is not a question, but a remark. I was very glad that the Schiller Institute also focusses on the aspects related to the position of the IMF and the World Bank and the way they deal with the financial and economic crisis. Because, indeed, when we provide consulting services to managers of companies, we not only have to be state of the art and apprised of the the most up-to-date developments, but we should also foresee future trends, and that is why your presentation has been of great value for us.