EIR Feature

Hungary in Crisis: LaRouche Offers New Bretton Woods

by Elisabeth Hellenbroich

Economist and U.S. Presidential pre-candidate Lyndon LaRouche's Dec. 11-13 visit to Hungary was organized around two strategic events: A conference at the Finance Ministry, "The World Economy in Crisis: Need for a New Bretton Woods," was held on Dec. 12, organized by the Hungarian Economics Association, the Schiller Institute, and the Hungarian Academy of Sciences' Committee on Finance, whose chairman is the well-known economist Prof. Béla Csikós-Nagy. And a Schiller Institute meeting at the St. Lazslo Institute latr that evening drew 120 active participants, and media representatives. (See presentations below).

The conference at the Finance Ministry was chaired by Prof. Tamás Bácskai, former chief economist of the Hungarian Central Bank, and addressed by LaRouche; Dr. Nino Galloni from the Italian Ministry of Labor; Prof. Hajna Lorinc-Istvánffy from the Budapest University of Economic Sciences and Public Administration; Prof. Katalin Botos from the Péter Pázmany Catholic University; Dr. Tibor Erhart from the Ministry of Finance; Lothar Komp from *EIR;* and Dr. János Plentner F.C.S.I., former ambassador of Hungary to Canada.

In his keynote, LaRouche underlined that we are in the "terminal phase of a physical economic collapse of the presently bankrupt post-1971 floating-exchange-rate monetary-financial system." Without a return to something resembling that pre-1971 Bretton Woods model, the candidate stressed, the world will be quickly doomed to plunging into a prolonged New Dark Age. In order to reverse the effects of 30 years of degeneration of the economies of Europe and the Americas, long-term, capital-intensive investments have to be made, chiefly in basic economic infrastructure, LaRouche said. This could be done under a monetary system of fixed exchange rates, requiring a balance-of-payments reserve-system of pricing monetary reserve gold at about $1,000 per troy ounce or higher.

LaRouche pointed to the prospects for a great expansion of trade and cooperative relations between Europe, and the emerging great Eurasian development effort to come from Russia, China, and India; but also shocked his audience—Hungary's leading economists—by telling them he was optimistic about near-term "remarkable improvements in thinking" in Washington, on the subject of the onrushing collapse of the post-Bretton Woods floating-exchange-rate system, and the breakdown of the U.S. physical economy.

LaRouche's speech sparked a lively discussion, ranging from the characteristics of a gold-reserve system and sovereign national money creation; to the global problem of illegiminate debt and the destabilizing effect of speculative capital movements; to the future role of the International Monetary Fund (IMF) in a new monetary system.

To the Schiller Institute meeting, LaRouche—introduced by Hungarian Schiller Institute leader Dr. Tibor Kováts—gave a very moving speech in which he held up the historical example of Jeanne d'Arc, contrasting her with Shakespeare's Hamlet the Dane, to challenge the audience with the question of what kind of "moral leadership quality" is needed today, to overcome the presently unfolding tragedy. "A national leader, who's not committed to immortality, is not capable of *morality,* in response to the challenges of this time," LaRouche said.

Hungary at a Crossroad

LaRouche's visit to Hungary took place at a moment when Hungary, along with Poland and eight other countries from Central and Eastern Europe which are to join the European

Lyndon H. LaRouche, Jr. addresses a meeting in Budapest co-sponsored by the Schiller Institute on Dec. 12, on "How To Reconstruct a Bankrupt World." He also spoke earlier in the day before a conference at the Ministry of Finance, on "The World Economy in Crisis: Need for a New Bretton Woods."

Union in May 2004—stands at a strategic crossroad. On April 12, 2003 a national referendum will be held in Hungary on entry into the EU, followed by similar referenda in the other countries awaiting membership. Hungary joins the EU at a time when the global economic and financial crisis is having a dramatic impact on the average citizen's life.

In April, the center-right government (of the Fidesz and Hungarian Democratic Forum parties) under Prime Minister Viktor Orbán, was replaced, and Péter Medgyessy became Prime Minister. The new government is a coalition between the ex-communist Socialist Party (MSZP) and the super-liberal Alliance of Free Democrats (SzDSz). The elections provoked a deep polarization in the country, which some political observers compared to a "cold civil war." It sparked nationwide debate concerning Hungary's past under communism, and its future in Europe. Under the leadership of former Prime Minister Orbán, who had been pushing the Szechenyi Plan—a plan for infrastructure build-up and more protection for national corporations—civic circles began to form all over the country.

A closer look at some of their debates reflects what is at the core of this raging debate. The issue is the question of sovereignty: How to make sure that the government does not sell out Hungary's vital national interest to foreign corporations and banks. Many forces see a future for their country only if it is politically unified around a sound political and economic policy. They argue that Hungary must define the mission it can carry out in Europe, and in a world whose only option for survival is, as LaRouche outlined, a New Bretton Woods monetary system and a Eurasian development perspective.

The impact of the global financial and economic crisis is being felt quite dramatically in Hungary. While the gap between rich and poor is growing (6-8% are extremely rich, 30% live in desperate poverty), the government is under pressure from the IMF, the World Bank, and the EU to go for more free-trade economic reforms. They demand that the government reduce its budget deficit—which stands at 6% of GDP—and make further cuts in public services, in particular health care, as well as carry out more privatizations. Three of the nation's publicly owned banks—Postabank, Konzumbank, and the Land Credit and Mortgage Bank—are to be privatized. Half of Hungary's corporations are in foreign hands.

A million and a half jobs have been lost since 1990, and unemployment is officially at 5.7%. Most of these foreign companies have been enjoying tax holidays, or are allowed to pay a very low corporate tax. The dramatic social consequence of "globalization" is illustrated by the recent case of IBM. In October, from one day to the next, IBM closed the gates of its brand new factory, which five years ago began production in the city of Székesféhervár, 70 kilometers southwest of Budapest, and which was seen as a symbol for Hungary's economic success.

IBM is one of 49 big foreign companies which, in the 1990s, began to establish their production sites in Hungary, being attracted by the offer of low wages—which since then have increased by 20% on average. Having enjoyed five years of tax privileges, and without leaving any productive infrastructure—being interested only in assembling parts with a very cheap labor force—the company cited the cold-blooded logic of globalization. Arguing that it will lose its "international competitiveness" because of Hungary's rising (!) wages, and pointing to its own declining exports, IBM decided to shift its production to a cheaper production site in Asia. Thus more than 3,700 Hungarians were thrown into unemployment—not counting the many smaller firms which depended on the IBM production site.

The EU Commission has announced that it will not allow Hungary to continue its tax privilege policy after entry into the EU. This will make the bad situation worse; Hungarians now realize that many more foreign corporations, under the EU tax guideline, will be leaving Hungary in search for ever cheaper labor and production sites.