

Parity price

I should like in closing to mention a last aspect of the classical system: pricing policy. The unhindered access to all possible goods and services through a functioning market is an essential premise for the development of the productive powers of a nation. But an entirely free, unregulated market can also be dangerous—like a wild beast, which gets out of control. Above all, what must be prevented is, that by accident, or deliberate manipulation by speculators, the productive basis of the economy be damaged. Above all, the sale of important goods for any length of time at costs lower than production, must not be permitted.

For example, today, through the manipulation of the American food cartels, wheat prices are held artificially low, with the result that millions of farmers throughout the world are going bankrupt. This is only possible because the American government has given up its traditional policy. In the past, the principle upheld was the “parity price,” according to which the state should see to it that the prices which were received by the farmer for most important foodstuffs would at least cover production costs and a reasonable income for the farmer and his family. Hence, prices are supported by the state, in case of low prices, itself buying a part of production. The joint agricultural policy of the European Community based itself originally upon a similar principle, and that was the reason for such a dramatic rise in agricultural productivity in Western Europe after the Second World War.

Another example: Up until 10 years ago, the tariffs for many kinds of transportation in the U.S.A., including passenger flight, were regulated by the state, and again according to the principle of parity price. That is how low, but also how excessively high prices were avoided. There was thus not a fully free market, which so many people in America today are preaching.

When the formerly socialist countries get rid of the fictitious prices of the old system, that does not have to lead to arbitrary price fluctuation. The state has a responsibility to ensure that the fluctuation of prices of the most important goods and services remain within reasonable bounds.

That gives a sample of the classical economic system. We should like to underscore, that the revival of this system is tied inextricably to LaRouche’s concept of the Productive Triangle. Thus did List, in his time, speak of “Siamese twins”: his customs union and his plan for a German railway system. At that time, as today, everything depends on whether we set a process into motion which drives ahead with the necessary speed the development of productive powers, with a resulting increase of the intellectual capacity of the population.

Provided that the countries of Europe direct their internal economic policy according to the fundamental principles of List or the American System, the buildup of infrastructure will, in correspondence with the program for the Productive Triangle, lead to an economic miracle.

Conference Report

Upheaval in former communist bloc

by Gabriele Liebig and Rosa Tennenbaum

Among the high points of the Berlin conference of the Schiller Institute on “Infrastructure for a Free Europe” were the panel discussions in which representatives from Eastern Europe and the Soviet Union reported on the political and economic situation, discussed reform and the perspective for the “Productive Triangle” in their countries, and debated how to solve the crisis in East European agriculture.

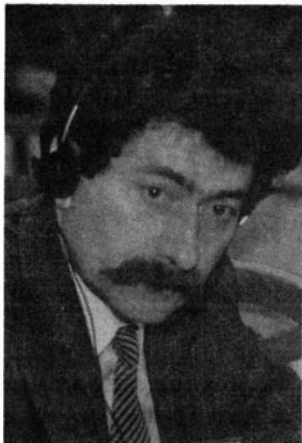
Eastern Europe at a crossroads

The panelists from Hungary, Czechoslovakia, Croatia, and Poland reported on the process of reconstruction and privatization in the no-man’s land between the still existing communist power structures and the destructive onslaught of Western financial institutions. Between the representatives of Lithuania, Latvia, and Armenia on the one side, and a former Soviet diplomat on the other, quite a sharp debate broke out over the independence struggle of the Baltic states and the factional battle in the Russian Federation itself.

Prof. Alfredas Smaylis, cardiologist and member of the presidium of the Lithuanian independence movement Sajudis, spoke first. “Of all European states, only the Baltic states are still imprisoned in a Soviet gulag,” he said, appealing to Germany to support the independence of the Lithuanians.

Visvaldis Brinkmanis, acting chairman of the Latvian Citizens’ Congress, warned that billions of German marks in credits and contributions to the Soviet Union may simply “breathe new life” into the Soviet empire. He also expressed great skepticism as to whether the Soviets should even be allowed to stay in the “common European house.” Concerning privatization in Latvia, Brinkmanis recalled the argument that all large firms are the property of the Soviet Union. In truth, he said, the only thing that belongs to the Soviets in Latvia is “the building of the former Soviet Embassy.” The property of Latvia must be “protected not only against the reach of the Soviet ruble from Russia, but also against the drug dollars from the West,” Brinkmanis said.

Mechak Gabrielian, deputy of the National Independence Party in the Armenian Parliament, spoke next, on the topic of the “slave’s fate of the Armenian enclave Nagorno-Karabakh,” which, he said, serves as a “testing ground for Soviet military technology” and “suffers worse than Afghani-



Zoltan Bogardi, Hungary



Dr. Frantisek Jirsa,
Czechoslovakia



Mechak Gabrielian, Armenia



Visvaldis Brinkmanis, Latvia

stan under the Soviet occupation.”

Then **Prof. Viktor Beletsky** from Moscow, who heads the Sovintercontact-Agroservice organization, took the floor. His organization promotes the development of private farming in Russia. Until three years ago, he was the Soviet ambassador to the Netherlands. Beletsky said it would be wrong to create the impression that Moscow and the Russian Federation simply have a unified political line. Many people in Russia have come out for a multi-party system, and a sharp fight exists between Boris Yeltsin and Mikhail Gorbachov, Professor Beletsky said. Because of this, he warned against “shutting the Soviet Union out of the ‘common European house.’” “A giant catastrophe would then threaten, and no one needs a civil war,” he said. Finally, Beletsky turned to the representatives from Lithuania and Latvia, and challenged them not to try to achieve their independence “too rapidly.” Professor Smaylis retorted that the Baltic states don’t need to achieve their independence, since they had declared it long ago. But Professor Beletsky was right, Smaylis said, in making a distinction between the position of Yeltsin and the attitude of the Soviet regime.

At this point, **Helga Zepp-LaRouche**, president of the Schiller Institute in Germany, interjected herself into the discussion and steered it back toward the central question of the conference, namely, how the European-wide development program of the Productive Triangle could be realized. “If we do not succeed,” she emphasized, “the future will be even worse than the past.”

Marijan Kostrencic, from the Foreign Ministry of the Croatian Republic, then explained the changes in Croatian law regarding privatization. He directed criticism at the “large transnational financial institutions,” which have no appreciation of the division of Yugoslavia, because “they fear they will not be repaid their foreign debts.” And he appealed to Europeans not to pass up the “chance of the millennium to create a strong and stable Europe,” because

procrastinating on the reconstruction of the Balkans could “by itself endanger the peace in Europe.”

Dr. Frantisek Jirsa from Prague, secretary for economic policy of the Christian Democratic Party of Czechoslovakia, said that Czechoslovakia was formerly the second most developed nation of Europe after England, but in 1945, unfortunately, it “ended up on the wrong side of the Iron Curtain. Today more than half of the industry in Czechoslovakia is hopelessly outmoded,” Dr. Jirsa said. He also sharply criticized the International Monetary Fund. Czechoslovakia was extended an IMF credit, and in exchange had to undertake a horrendous monetary devaluation, he said.

Marian Miklasz, who represents the Justice Ministry in Warsaw in relations with international organizations, said that Poles have treated the word “privatization” as a “magic word” and as a cure-all for a year now, and thereby have given themselves over to a self-deception. Much more essential than privatization, Miklasz said, is to increase the production of goods and to enhance the moral strength of the population. Therefore the “development triangle” is the right program, he said, because it is a plan for the “generalized creative trade among all Europeans” and would restore the importance of Europe’s cultural values. Poland could play a material role in this European Productive Triangle, he said.

Agriculture: the battle over privatization

At the panel on agriculture, the high point was the reports from numerous countries of Central and Eastern Europe on the issue of privatization, and what to do with the huge, mis-managed collective farms, the legacy of the communist era.

Dr. Gejza Blaas of the Slovak Agriculture Ministry in Bratislava, Czechoslovakia, portrayed the difficulties his

country is undergoing. He described as catastrophic, the effects of the economic reform that was introduced on Jan. 1. The first condition of the International Monetary Fund was that subsidies for agriculture had to be eliminated. They have now been reduced by half, and by next January they are supposed to be eliminated altogether. The direct result was that consumer prices rose by 60%. Prices for meat, butter, and milk shot up by 150-300%, and consumption fell by 30%. Interest rates rose to 24%, and the currency, the krone, was devalued twice. Average production costs tripled, leaving many enterprises insolvent.

Dr. Josef Alvincz of the Institute for Agrarian Economy in Budapest reported on the sharp disagreements in Hungary over the question of reprivatization or privatization of collectivized property. On one side is the Small Farmers Party, which demands that the property relations that existed in 1948, before the communist takeover, be reinstated. On the other side is the Democratic Forum, which wants only a moderate degree of privatization and strictly opposes reprivatization.

Zoltan Bogardi, representative of the Democratic Forum and head of the agriculture commission in the Hungarian Parliament, put forward the point of view of his party, which

plans only to return property to its former owners if they are still listed in the land registers. Other owners will receive coupons which they can use to buy a building or another piece of land or stock.

Prof. Viktor Beletsky, whose intervention during the panel on Eastern Europe was reported above, talked about the formidable problems confronting the Russian Federation. Russia is living through the most difficult political and economic-social crisis in its history, he said; what it needs is the rule of law, with a multi-party system and the introduction of market economy, including privatization of agriculture.

There cannot be a return to Stalinism, said Beletsky. Over 40 million people are already employed by private companies and joint ventures; this is not enough, but it is at least a beginning. In the Russian Federation there are now 11,000 private farms, and without privatization of agriculture, he is convinced that the economic and social problems will never be solved.

The Russian Federation has adopted a project whereby private farms will be built in a ring around the big cities, and will provide the cities with food, said Beletsky. An important task at hand is to change production from military goods to

'We must not let this opportunity pass us by'

From the speech by Dr. Tibor Kovats, co-founder and leading member of the Association of Hungarian Political Prisoners.

Our association organized its first symposium in Budapest with the Schiller Institute on Feb. 18, to find out about its economic policy, the program of the "Productive Triangle," which is a comprehensive program for reconstruction of the whole of Europe, and to popularize this concept among Hungarian progressive thinkers—statesmen, writers, journalists, etc.

Our association is not a party, but an independent organization which represents the interests of former Hungarian political prisoners. Since we see very clearly that our true rehabilitation can only be achieved if the mechanism of the state is economically stable, we therefore must find out what kind of economic program can help to achieve that.

We know our problems and also the difficulties confronted by our state, particularly as concerns Hungary's economy. But we also know that an all-European program can give us and the other former "East bloc countries" a

new force for development. We cannot let this opportunity pass us by. . . .

Your indefatigable labors—particularly on the part of your president, Mrs. Helga Zepp-LaRouche, and the economic staff members—is the best guarantee for us, that these problems can be solved. The "Productive Triangle" as "the economic and political basis for the construction of Europe," as "the infrastructure and lifeline of the European economy," as well as "the central role of railroad transport" and "the expansion of European waterways"—these conceptual foundations of economic policy are, with you, in good heads and good hands!

So, too, has LaRouche's evaluation of the development of the world economy as a whole been proven correct. He rightly condemned the economic policy of the International Monetary Fund and the World Bank, and demanded a reform of the world monetary system and a new world economic order, which would enable every man to enjoy the benefits of economic and technological progress.

There is a quotation from Schiller in 1799 which I think is most appropriate to this work, a quotation which nearly all of us know and which sounds like a hymn to the joy of labor: "*Von der Stirne heiß, rinnen muß der Schweiß, soll das Werk den Meister loben, doch der Segen kommt von oben.*" ["From the heated brow, the sweat must flow, if the work is to bring praise to the master; but the blessing comes from above."]

agricultural machinery. He promoted his favorite project: the training of Russian apprentices in Western countries. Apprentices are already being sent to Denmark, Holland, and Germany, but there are too few and the process takes too long. Still, the project is very successful, he said. His company has 2,000 contracts from students who want to learn through an apprenticeship in a Western industrialized country.

Marian Miklasz, liaison for international relations in the Polish Justice Ministry, worked for 10 years at the Land Technical Institute, and knows the problems of Polish agriculture from the inside. Totalitarianism destroyed the culture of farming. Medium-sized enterprises—the *Mittelstand*—were wiped out. But a sort of “resistance democracy” developed, which made it impossible for the communists to collectivize agriculture. Only about 5% of the land and property was owned by the state, and therefore the collapse of communism was as good as certain.

Now, he stressed, Poland’s agriculture needs stability.

The most important demand that Miklasz formulated was the rebuilding of farming culture, through a healthy agriculture policy, the building of middle-sized family farms, and cheap credits for farmers. It is the farmers who have particularly opposed the austerity policy of the government, he reported.

Herbert Grothe, a farmer from Marwitz in eastern Germany, said that change in the former German Democratic Republic has been very slight. The state-run collective farms, the LPGs, are at the point of collapse, such that the cattle are being sold at rock-bottom prices. The managers who got their jobs because of their association with the communists still have their full rights, which they got from the bureaucracy—the old “cement heads.”

Fritz Tietz, a farmer from Zehlendorf in eastern Germany and district chairman of the German Agriculture Association, demanded the return of property to its former owners, “without any ifs or buts.” “With bitterness,” he concluded, we have to realize that today, even in the government in Bonn, they are not trying to improve the situation.

Hungary debates how to end communist system

From the speech by Rudolf Szauter, licensed engineer, member of Parliament, Hungarian Democratic Forum (MDF).

Since the beginning of last May, we have passed 64 laws, including constitutional laws, whereas, by comparison, in the democratic countries, four to six are passed per year. We began with the Constitution itself. The communist government had left us with a Constitution with which Hungary could not be governed at all. For example, laws could only be passed by a majority of 67%. So we had to adopt a self-governing law and a budgetary law, in order to make it possible to rule the country at all.

Another very important law was that on privatization, which said for the first time that we are not *reprivatizing*, but *privatizing*. Let me explain: Nobody wants to trade the old injustices for new ones. But that is not the real problem; we would like to get Hungary out of its frightful economic crisis. And for that, we need a functioning economy. We would like to place all the means of production, tools, all enterprises, in the hands of those who can yield the highest productivity and the highest profit. What good does it do the poor former property owner, if he is ruined along with the rest of the country?

The former owner must be compensated. The law

governing compensation is now before us, and we are having a big debate about it in our democratic Parliament. We are for compensation by degrees. Hungary is in a frightful economic situation. We have \$21 billion in foreign debts and an equal amount in domestic debt and empty insurance funds. But yet we want to pay compensation; we must do so.

A law has already been drafted, governing the investments of foreigners in Hungary. Naturally we expect foreign investors, but we would also like to have the prospect of abundant ownership by Hungarian citizens, for if everything were bought up from abroad, then Hungary would remain just as poor as the Latin American states. Therefore we have set up an institution which we call “existence credit.” With the help of this institution, Hungarian citizens can get up to 50 million forints [\$630,000] on quite favorable terms. With that, one can start up a business, or buy a small state company. We would like to reduce state ownership to 30% in the next five years.

As for compensation and privatization, unfortunately we cannot follow the German example. Let me tell you a story about a discussion that our prime minister, Jozsef Antall, had with his Soviet partners. They were demanding from us a couple of billion deutschmarks to build housing for their officers, when they are withdrawn from Hungary. Mr. Antall told the Soviets that they unfortunately are out of luck. Why? Because they had occupied all of Hungary, and not only eastern Hungary, so now there is no West Hungary and no west forint. Therefore, we don’t have a thing to give you, since we ourselves are so poor. . . .