

Report from Bonn by Rainer Apel

Running out of ideas

The European Alpbach Forum reveals the conceptual deficiencies of the European elites.

The annual conference of the European Alpbach Forum, which borrows its name from the Tyrolean village where it is usually convened at the end of August, held its 51st such event there this year. Walking in the terminological footsteps of its spiritual father, the late Sir Karl Popper, the theme this year was "The Whole and Its Parts." The stated objective was to examine the main tendencies of developments in Europe, five years after the Iron Curtain came down.

The main conclusion that can be drawn from this event is that the future Europe that was portrayed there is one of economic ruin, if the elites, who have run out of ideas and worship destruction, prevail.

The pedigrees of the attendees raised the expectations of some that they would learn more about the way Europe's elites think about the future. The list included Alexandre Lamfalussy, the Hungarian-born former member of the board of the Belgian Banque Bruxelles Lambert, former chairman of the Bank for International Settlements in 1985-93, and chairman of the European Monetary Institute in Frankfurt; analysts such as Alain Touraine and François Heisbourg (both from France); a number of Austrian cabinet ministers; members of eastern European governments; and representatives of the European Commission.

The impression was that the elites of Europe, east and west, do not know how to bring this continent safely into the next century. This impression is nothing new, to the informed observer, but it was strikingly corroborated

in Alpbach.

For example, Lamfalussy, in trying to give an overview of where Europe stands in terms of the envisioned monetary union, presented a "success story" of the European Union's (EU) monetary and fiscal austerity initiatives in 1974-94.

The fact that he praised the "radical shift" of 1983 in France as a model of what Europe as a whole should do to "bring the domestic aspects of inflation to a halt," showed that the elites which Lamfalussy represents have not learned the lesson of the May 1995 vote of the French electorate, which was a mandate for presidential candidate Jacques Chirac to put an end to the ruinous post-1983 era of President François Mitterrand. The ouster of Finance Minister Alain Madelin, because of his monetarist orientation, which caused massive protests from the labor unions, came only a few days before Lamfalussy's presentation. Neither Lamfalussy nor the other speakers even mentioned the most recent bank collapses.

Running on a monetarist "autopilot" from the 1980s, Lamfalussy tried to create the impression that the discredited ideas of the past would last into the 21st century. He even admitted that, besides the seeming monetary and fiscal "successes" of the past years, there was also an "economic aspect"—which he felt incapable of speaking about, because it was outside of his competence to do so. What more is needed, to illustrate the extent to which monetary policies have been decoupled from the real economy? It came as no surprise, therefore, that

neither Lamfalussy's presentation, nor any other given at Alpbach, referenced the "White Book" of former EU Commission President Jacques Delors, for the creation of new jobs by the development of the transport and telecommunications infrastructure of Europe.

Munich-based investment expert Andre Kostolany, a widely known critic of present-day monetary and banking practices, told this author that he found that the level of discussion and the quality of speakers in Alpbach has degenerated continuously over the past 20 years—paralleling the degeneracy of economic thinking in general. Kostolany said that it was virtually useless to talk about economics with the "studied economists" who dominate the scene, because they prefer to live in a world of fiction, rather than to understand the real world.

This phenomenon also appeared in presentations given in defense of radical free market ideology, by representatives of eastern Europe's establishment, such as Czech Prime Minister Vaclav Klaus, or Slovenian Prime Minister Janez Drvnosek.

The most shocking example of the degeneracy, however, was the presentation by Franz Fischler, Austria's member of the EU commission that is in charge of agricultural policies. He presented the dramatic drop in EU beef reserves, from 100 million tons in 1993 to only 30,000 tons now, as a big success for EU set-aside policies. He reported that in eastern Europe, the same policy, because of a much more radical approach since 1989, has "atomized" the farm sector to the level of subsistence-level farming in many areas. Eastern beef production, he reported, has been cut to such an extent in the last five years, that it "needs several decades to again reach the level that it was at before" the process of transformation which began after 1989.