

better at using our resources more intensively, adding value or creating value at a much faster pace.

There are two approaches to this situation. The first is dominated by the focus on the physical economy and government cooperation, whereas the second one is focusing on deregulation, liberalization, and moves like that. The latter is the dominant approach in this country, and this is an approach in which not only the strongest always win, but also the weakest are in a rather difficult situation.

If you follow worldwide developments, and the search for what we call the new world order, you will have noticed that there are trends toward domination by the large countries, large economies, and forces trying to accumulate or incorporate the smaller countries, with some of their autonomy or assets protected. Yet, at the same time, they are being driven by the larger forces in the economic arena. Therefore, if we look at what the Schiller Institute, which is fighting inhumanities, can offer us in the fields of politics, philosophy, science, ethics, and aesthetics, we need to emphasize that it stands against conservative liberalism in the economy, which unfortunately is the theory that our country has espoused. And, therefore, even if the influence of the ideas of the Schiller Institute is limited today, we can only be inspired by them.

Prof. Zbynek Pitra

We should focus on 'adding real value'

Professor Pitra is Deputy Director of Sindat Consulting, and vice president of the Czech Management Association. He has taught in universities, and has worked for companies in the United States. The following are his remarks at the CMA-EIRNA-Schiller Institute press conference in Prague on May 13.

Let me welcome you to this conference, and I do hope you will be taking away from this conference the feeling of hope that we get from our way of approaching current trends. Let me focus on the Czech Republic and the real problems that the CMA is currently encountering and trying to tackle, especially the revitalization of Czech industry. I believe that the situation of most of our companies is far from favorable, yet a local solution is not sufficient; we as well have to take part in the global economy, joining the fleet of the global economic drivers, to get ourselves through the crisis.

And I believe that where our country should participate is definitely not in the world of financial markets with derivatives, but rather in the world of real economics, as we have heard from the representatives of the Schiller Institute, as well as from Professor Jirasek. We should focus on the areas where *we can add real value*, thus changing the life of humanity for the better. And I am very well aware, that the CMA's representatives focus on the current task faced by the managers of companies, which involves value creation and looking at not only what we call "the invisible hand of the market forces," but also the real situation, trying to transform the forces into real value and real goods.

And therefore, our position, that is, the CMA's position, concerning the current governmental program on revitalization of industry, is as follows. First of all, we have several objections to raise: We believe that the government program is based too much on financial restructuring. And I believe it indeed is basically characterized by the delusion which we heard described by our guests, the delusion that a poor performance of companies can be solved through financial means. And, we have heard what this delusion caused in several more advanced economies: It led to a crisis.

Therefore, we believe that businesses are not entities which consume money, but are entities which create value, and therefore, the economic injection should focus not only on providing financial means, but on investment and produc-

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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.

Discussion

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