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PRESIDENT OF THE CZECH REPUBLIC VACLAV KLAUS DELIVERS REMARKS
AT THE CATO INSTITUTE

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SPEAKER: PRESIDENT OF THE CZECH REPUBLIC VACLAV KLAUS

WITNESSES:

ED CRANE, PRESIDENT, CATO INSTITUTE
PRESIDENT OF THE CZECH REPUBLIC VACLAV KLAUS

TEXT:

CRANE: Good morning. My name is Ed Crane. I'm president of the Cato Institute, and I'd like to welcome you to our conference today. It should be a fascinating one. We're going to examine the results of 20 years of freedom from Communism in Eastern Europe. And, certainly, that's a reason to celebrate.

I have a particular fondness for the fall of the Berlin Wall, which was in November, of course, was 20 years ago, because my wife was watching on television that collapse and went into labor. And so my soon-to-be 20-year-old daughter had, I think, decided with the fall of Communism, it was safe to come out.

(LAUGHTER)

The Cato Institute has always had a strong interest in promoting freedom, not just in the United States but internationally. And, of course, that meant, since we were founded back in 1977, dealing with Communism. We published a book in Polish called "Solidarity with Freedom" shortly after the solidarity revolution there. And we have people from Poland come up to us to this day and say that book was so important; it was passed around. We smuggled 5,000 copies into the country, and we wouldn't let anyone have more than 100 on the theory that they would find some way to get them if they could.

And then we published a book in Russian called the "Friedman and Hayek on Liberty" that was smuggled into the Soviet Union.

So we've been active in this for a long time. We had, I believe, the very first conference devoted to freedom and free markets in the history of Communist China, which was held in 1988. It was a remarkable event. We had Milton Friedman there. He and Rose were there celebrating their fiftieth wedding anniversary. And Milton was treated like a hero. And I couldn't believe it. You know, here is this Communist country and the people were so excited to be able to meet Milton Friedman.

Rose passed away in August, and, you know, my take on her was that she was none too happy to be on this Earth without

Milton anyway. But that's a horrible loss for all of us, both of those wonderful people.

CRANE: And then in 1990, we had the first conference, I think, devoted to freedom -- I'm talking about the Cato Institute now -- devoted to freedom in the Soviet Union in Moscow. And we had Charles Murray. We had Nobel laureate Jim Buchanan, all these wonderful, true liberals arguing against statism.

And it was -- it was instructive, really, because in that conference in 1990, we had -- we had good relations with the mayor of Moscow, who was named Popov. It turned out he was a crook, but he was friendly to us. And we had -- so we were able to get hors d'oeuvres -- or lunch meats sent to the conference. This is in 1990.

And I -- I promise you, if you had been there and seen and smelled the food, you wouldn't have eaten it. Yet in this communist country, because we laid the food out at 11 o'clock, word got out into the conference with about 400 people that there was food outside. And the conference just emptied, and they devoured the food.

The next year, we had another conference in Moscow. And this one was at the Octoberskaya Hotel (ph), which was a hotel of the Communist Party Central Committee. And it was, again, devoted to freedom. And the thing that was interesting was that we brought with us buttons or -- or lapel things that had the Cato logo on them. But above and below the logo were the words in Russian, "Capitalism and Private Property."

And they were the most popular thing in the hotel. All the waiters had them on. All the people behind the -- the desk, the front desk had them on, everyone did. The maids did. And it was like the Communist Party Central Committee is coming here tomorrow to meet. Is this not a concern?

It was certainly an indication that the communism was about to collapse. And I went to the Soviet Union the first time in -- yes, 1981. And as a libertarian, as someone who I think understands economics, I knew there would be a lack of -- of material goods. And, indeed, there was.

I mean, you know, as late as the mid-'80s, the CIA was suggesting that the Soviets had 63 percent of our GDP, which was ludicrous. There is no -- there was no GDP in the '80s in the Soviet Union.

But the thing that really struck me was not the lack of material goods, which as I suggest I had anticipated, but the -- what it does to the human spirit. The people there were just destroyed. Their eyes averted you when you walked down the street. They were rude if you had to deal with them in any kind of transaction.

People don't realize -- we were talking earlier in the green room that people simply don't -- young people in particular know how devastating communism was to humanity. And we're so glad that that is all behind us now. And -- one hopes, anyway, given what's going on in Washington.

This conference will take stock of the political and economic reforms over the last 20 years in Eastern Europe. We're going to talk about what went right and what went wrong and -- and why. And we've got some marvelous speakers. I mean, it really is something -- Marian Tupy and the Center for Global Liberty and Prosperity, which is run by Ian Vasquez, Marian's put this conference together, and it really is a special event.

We tend to underestimate, in my view, the success of the collapse of communism, what it's meant to people. It's not been perfect, but, you know, this is an ideology that killed hundreds of millions of people. And suddenly, in Eastern Europe, you have freedom of religion, freedom of expression, freedom to travel, things that simply didn't exist before. So it's very important that we acknowledge the success of this revolution.

CRANE: One of the people most responsible for this success is our speaker this morning.

Vaclav Klaus is a -- is president of the Czech Republic. He has been a long-time friend of the Cato Institute. He is a member of the Montpelier Society; somebody who understands economics very well. He understands freedom. He is the kind of person -- you wish in America we had politicians who cared about political philosophy, who cared about right and wrong and not just power. And the Czech Republic has been very, very fortunate to have this giant international political figure as their president.

Prior to being president, he was, of course, prime minister. And during his years as prime minister, he established the policies in the Czech Republic that led to the prosperity and freedom that they have today. So, he is a -- a special individual. He's somebody who, not only has had major positions in the government over the years there, but one of the things that -- and he's associated with my friend, Fred Smith, at the Competitive Enterprise Institute.

He's somebody who has had the courage to stand up to the scientific nonsense of the global warming alarmists. This is something that you think it's tough to do that in this country, you ought to go to Europe and see the way they react to people who say, you know, that's not scientifically true. It's been 10 years since there's been any warming. And whatever warming there is, we don't know what it caused -- what causes it. It takes courage to do that. And this is a man who has courage on so many different issues.

We published a book some years ago called *Renaissance: Rebirth of Liberty in the Heart of Europe*, which was a collection of essays by Vaclav Klaus. I am -- I -- I -- I'm just so thrilled to have him here to kick off this conference. I would point out that, when -- he has agreed to take questions. But when the -- this session is over, we're not going to have a break. We're going to go immediately to the next panel.

Please welcome a great advocate of liberty, the president of the Czech Republic, Vaclav Klaus.

KLAUS: Good morning. And thank you for your very nice words.

Distinguished guests, ladies and gentlemen, thank you. Thank you for the invitation to come to Washington and Cato once again and for giving me the opportunity to address today's important gathering, which is taking place at the moment of the 20th anniversary of the fall of Communism. I do believe the historic year 1989 deserves to be commemorated and deserves to be commemorated, not only in the countries of central and eastern Europe, but all over the world, in this country as well.

And thank you for organizing this conference. I have been in this room before. And I'm always very pleased to be here.

It is not by chance that this conference is organized by the Cato Institute. On this side of the Atlantic, Cato has been, for a long time, one of the most important institutions devoted to defending and promoting the principles of individual liberty, limited government and free markets. I learned a lot from Cato.

When Communism collapsed, and we were finally free to travel to the western world, we found many friends here. I remember my first meeting with Ed Crane and Will Niskanen, and many of their collaborators, not long after the Velvet Revolution. And, as Ed mentioned, I was pleased that Cato published my book, "The Rebirth of Liberty in the Heart of Europe," more than 10 years ago.

KLAUS: As a side remark, I saw upstairs that the book is sold there, but I must admit that it's irrelevant and obsolescent (inaudible) because I discovered that it's sold at (inaudible)...

(LAUGHTER)

... it's really demonstrated something. It's good to know.

(UNKNOWN): Capitalism.

KLAUS: It may be surprising for some of you, but the fall of Communism remains to be a rather controversial topic at least in our part of the world. There are several competing interpretations both of the fall of Communism in 1989 and the following radical restructuring of our societies. That's the reality. We have to live with the fact that there does not exist any generally accepted theory on the subject.

Another point is that I personally am not happy with many of the interpretations I see around. Most of them are based on a misleading and very biased storytelling which does not take into account the broader picture and which doesn't use the available instruments, concepts, and series of well-established social sciences.

This storytelling also exaggerates the role of individuals and especially of those individuals who are presenting the story and who see themselves as the real heroes of that era. This is something that bothers me.

Any serious debate must start with a workable hypothesis of the dominant features of the Communist system and of the reasons which led to its so rapid termination. Since the very beginning, I have been advocating the rather unpopular concept that Communism was not defeated; that it collapsed or simply melted down.

Look at it with the benefit of hindsight, I don't feel I have to change this 20 years old position of mine. Communism was, at the end of the 1980's, already too weak, soft, old, and emptied of all meaning to exist much longer. Those who didn't see it in that way at that time proved to be wrong. Some people are, of course, not happy with this interpretation because it greatly

diminishes their role in this process.

The transformation from Communism to a free society was a very fragile mixture of an inevitably imperfect and fragmentary constructivism of rules and institutions by the politicians and of a spontaneous emergence of markets; markets in a broader sense which was, luckily, an unorganized, unplanned, uncoordinated outcome of activities of millions of finally free people in our countries.

This is something we have to insist on and only on this basis we should evaluate the whole process and the role of politicians in it. Some of us are satisfied with what happened. It may be partly because we knew that it would have been a tragedy mistake and a complete misunderstanding of the meaning and nature of the market economy to aim at constructing and permanently regulating markets as many of our contemporaries, both friends and adversaries, wanted.

The markets can be constructed and unregulated. They must evolve and be left to themselves. The same is true about political markets. I am convinced this is fully in the spirit of the Cato Institute.

KLAUS: At the beginning, in the first years after the fall of Communism, we had to go through the highly politicized dispute between those who wanted more constructivism and less spontaneity and those who knew that this ambition was nothing else but an attempt to legitimize the continuation of a slightly reformed status quo of the perestroika years.

This dispute was misinterpreted and mislabeled, some of you may remember, as a dispute between the schools of gradualism and of a shock therapy, which was the case -- this misinterpretation was the case not only in the post-communist countries, but in the U.S., as well.

These terms have been almost fully discredited, but I'm repeatedly frustrated when I see them re-emerging again and again. I hope they will not be brought to the fore here today.

Some people still do not know how complicated and how unpleasant and painful the transformation process really was for many of our fellow citizens. It was not a painless laboratory exercise in applied economics. It was all very real, and the citizens of our countries had to bear its non-zero costs, measured in the fall of real income and employment.

Mentioning a laboratory, I have to insist that we were not able to organize any experiments and didn't intend to -- to do so, either -- didn't intend to do so, either, because we already lived in a highly democratic political setting. There are not czars, kings, or authoritative rules of any kind.

Our task was to minimize the costs of this inevitable, fundamental systemic change, and I have many times emphasized that there are not only no free lunches, but no free systemic changes, either. It was a very costly process.

Most of the politicians who were in charge of the reforming countries at this very moment were well aware of this. They had, however, a mixed mandate. They felt relatively very strong support for rejecting, abandoning and dismantling the oppressive communist political regime, as well as its irrational and unproductive economic system, but there was no clear idea or vision where to go.

There were not many of us who were ready to openly say that they wanted capitalism and, as some of you remember, in my terminology, markets-result objectives. Most of the people in our countries were afraid of -- afraid to openly say that they wanted capitalism and free markets. They were dreaming about various kinds of third ways. This is almost forgotten now, but the reluctance at that time was in this respect enormous.

The second issue was how to get there. Immediately after the fall of communism, it was necessary to open the markets, both internally and externally, to liberalize and deregulate them, to de- subsidize the economy in order to reveal the true costs and prices of all kinds of economic activities, to de-nationalize and privatize the whole economy.

The quick disappearance of the institutions of the old system led, however, to an institutional vacuum, which had to be filled with alternative institutions as soon as possible to avoid huge costs of anarchy or semi-anarchy.

KLAUS: "Waiting for Godot," waiting for the existence of a perfectly prepared box of rules and institutions of a market economy before the starting of the whole liberalization and the deregulation progress which have been a tragic mistake.

The scholastic dispute of what should come first, markets or market-supporting institutions, reminds me of the eternal chicken-egg sequencing question. We had to go ahead and -- to use the analogy -- and work on chickens and eggs simultaneously.

The moralistic preaching coming even from this country and maybe even from this place that there must be the rule of law first was an empty slogan. The issue was how to create it -- the rule of law -- not whether we wanted it or not. And this was really easily and cheaply misunderstood in many circles of our friends here in this country as well.

There are now, on the one hand, the economies of the post- Communist countries are stronger, more major, more stable, more robust, and less vulnerable than at the beginning. The institutions and the rules are more solid and comprehensive. The spontaneous learning by doing brought about positive results. New generations with a different approach to life and society are taking the lead.

The development was, however, not leaner (ph) going in one direction only. I believe -- I believe that the first post- Communist decade can be characterized as an uphill movement; more freedom, more democracy, more market economy, less state intervention, less regulation.

In the fundamental equation, cities (inaudible) state, we had been moving towards the free citizen, away from the state and its masterminding of society. Socialism or social democratism was in retreat. New collectivistic isms such as environmentalism had been gradually gaining strength and some of us were aware of that, but their role was not yet dominant as it is now.

It has, however, dramatically changed. The second post-Communist decade was quite different from the first one. We have been moving into the opposite direction, downhill. We experience less freedom, more regulation, more manipulation of people in the name of all kinds of politically correct ambitions. We experience post-democracy instead of democracy. We experience growing disbelief in markets, social democratism and environmentalism are on the winning side.

The market economy, more or less, disappeared because of social and ecological market economy instead. This shift was, I believe, evident during the whole second decade of the post-Communist era to all who wanted to see it. But the current financial and economic crisis made it even more profound.

It weakened many of the achievements of the era of the radical dismantling of Communism 20 years ago even farther. The same happened in the non-post-Communist countries as well.

KLAUS: I know we didn't come here to discuss the current crisis. We know it will sooner or later be over. The real damage caused by the crisis will, I'm afraid, stay with us for a long time.

The adversaries of the market have again managed to spread a far- reaching distrust in the existing economic system, but this time -- and this is the main problem -- this time, it is not the mistrust in the free-market capitalism. This is not a mistrust in the laissez- faire system. This is not a mistrust in the capitalism of Adam Smith, Friedrich von Hayek, or Milton Friedman. This is not the mistrust in the -- in the system for decades defended by the Cato Institute, as it was the case 70, 80 years ago.

It is now the mistrust in the highly regulated capitalism of the last decades. I'm not sure whether capitalism can survive such a massive attack. The market either is or it is not. There are no third ways.

We should consider our duty to fight against the newly rediscovered belief in the state against the second-generation Keynesianism we see around us these days. We must not allow the repetition of the 1930s and the decades that followed. We must limit, not expand, government interventions into the market. That is our task for today and for tomorrow.

The final sentence is that the communist experience should never be forgotten. Otherwise, it will be repeated.

Thank you very much.

(APPLAUSE)

CRANE: Thank you, Mr. President.

We're going to take questions. I would just ask that you hold the microphone close to your mouth so everyone will be able to hear what your question is. And please identify your -- who you are and whose axe you're grinding.

QUESTION: I wondered if you could just give us a bit of -- an update on how things are going in Europe, in terms of the -- the controversy over potential policies to deal with global warming. I know that, in your position as president of the -- the European Union, you've been -- you've been standing against the -- the attempt to do more cap and trade. I think that's a very good thing for you to do. I commend you for it.

But can you just catch us up with where things are there on that line?

KLAUS: First, I think it's wrong to -- to concentrate or to narrow the discussion on cap and trade. As I see it here, the debate is, we accept the crazy doctrine of global warming alarmism or not. And what kind of instruments to use to -- to -- to achieve some -- some goals of that movement is another issue. So cap and trade is just an instrument, one of the possible instruments. For me, it's irrelevant whether it is this instrument or any other.

I am -- I am afraid that there is no serious debate in Europe, as I'm afraid that there is no serious debate in the United States of America. There are minorities who have strong views, but it's a dialogue of the deaf. The other side doesn't listen; the other side, especially the politicians, don't participate in the -- in the discussion.

I have one -- one frustrating experience after another. I go directly from here at New York City, where there is tomorrow the whole day of climate change conference, where heads of states and heads of governments participate at the United Nations. So I will tomorrow have the pleasure of sitting -- sitting with the same table with Angela Merkel and others and discuss those issues.

So I'm afraid there is no serious, serious discussion. Nevertheless, I published a book, which some of you maybe saw. Fred Smith is here.

Is he here?

CRANE: Yes.

KLAUS: And his Competitive Enterprise Institute published a book. And I was, last Tuesday, in Slovenia, Ljubljana, where the book was also published in Slovenian language. This is already the 11th language where it was published. And for you, as a positive gesture, the launching ceremony at the University of Ljubljana, president of Slovenia came to me and opened -- opened, more or less positively, the discussion; which means that the mood has been changing a little bit at least -- at least -- at least I hope.

But the real controversy, the real debate, in Europe simply does not exist. The politicians fully, fully, swallowed that irrational doctrine. And it's our task to do something with it.

WOOD: Pan President, Barry Wood, economics correspondent. Your final words about mistrust in markets, particularly the advanced economies' regulated markets, what is your take on the financial crisis? There is so much thought that it was the absence of regulation, adequate regulation, that allowed banks to behave in the way -- United States-based banks mostly -- to cause this crisis. Would you elaborate?

KLAUS: Well first, tomorrow, I will argue about the nonsense of global warming doctrine. The day after tomorrow, there is the general assembly of the United Nations, and I will speak Wednesday afternoon. And I discovered that, in order to pick up (ph) the topic for an economist in this era. So, we have the crisis. So, let's talk about it.

So, I'm afraid that my fellow heads of state and governments will be surprised there is someone in this huge building who would openly and -- and dramatically say that the financial crisis was not a market failure, but a government failure. That's the substance of my speech on Wednesday afternoon in the U.N.

So, I don't believe that this is the problem of -- of regulation. Any regulation is more or less wrong. And I'm sure all of you took with you the quarterly journal called Regulation here in Cato, which I try to read ruminantly (ph) and to learn a lot. So, I don't believe in regulation. We lived in a regulated world. We -- veralt (ph), we lived in Communism. That was a system based on the mistrust in the market and the -- and the trust in -- in regulation. So, we have very strong views about -- about that.

So, who is organizing the...

QUESTION: Irina Kimushkina (ph), Business People Magazine.

Mr. President, I would like to ask you just to comment more on this debate of Communism and Capitalism in conditions of the crisis. We -- you are talking about mostly post-Communist countries. According to the latest questioners, I -- I would like to raise a question about Latin America.

And, in -- in Colombia, most of the people voted with this -- their questioners, for socialism. Socialism, in conditions of crisis for many people could probably -- who are going to extreme poverty and poverty, it's a directive. And one of the sides, it's a directive, that it's health care and education in Communism is free of charge. And I would like to ask you, as politician and economist, do you think that health care and education could be free in market economy?

KLAUS: Was it a question, or was it a statement? I don't know.

We, of course, lived in a world when education and health care both were hypothetically free, which is, of course, not OK. You know, they are not free; you have to pay for them but in other indirect forms. And the more you pay, the real price and real cost directly, the more you are aware of the costs of one thing or another, the better (inaudible) with the teaching and the preaching we were trying to bring to our countries.

So I am afraid that you are moving slowing into the world we tried to forget. So I wish you success with it in America.

QUESTION: I'm Roger Pilon with the Cato Institute.

President Klaus, you recently served as president of the European Union. Would you share with us some of your impressions of that experience?

(LAUGHTER)

KLAUS: It's better to say that we were -- we had a president of the -- and exactly not of the European Union but of the European Council. So your task is to organize the meeting or the agenda to give floor to one or another. So to somehow to demonize that position is, in my understanding, wrong.

But I will only say one observation -- only one. And this is that I supposed before the presidency that I already know -- knew what was the European Union about. I understood it. I was wrong.

(LAUGHTER)

That is even much worse than I expected.

(LAUGHTER)

QUESTION: Good morning, Mr. President. I'm (inaudible) from your neighbor country from Austria currently interning at Atlas Economic Research Foundation.

And facing all the things that are going on in our continent, growing hostility against private property, free markets, family, religion, I wondered if you have recommendations for me as a you know European what to do to stay in our continent or to leave and begin here a new future.

(LAUGHTER)

What would you recommend at the current state of our...

KLAUS: I don't know where to go from our continent to go here used to be a solution. I am not sure it's now. And it's -- it's a little bit more complicated, and I don't know. We have to come back to the clear ideas, messages what we want to achieve.

So the situation in Europe is very difficult especially because the decision making power has been moving for year and decades from individual member states to the unelected central power in Brussels. And this is really the post-democratic world. So I am afraid that this will bring us more and more problems.

So we have short-term task and short-term ambitions. One of them would be to stop the Lisbon Treaty because, in my understanding, this is the wrong way to go. Otherwise, it's a permanent fight.

Markets, freedom, state, government, nothing...

QUESTION: Hi there. Mark Snowis (ph) from the Voice of America, pleased to meet you, sir.

QUESTION: And my question is: What do you make of the Obama administration's recent decision to reorganize missile defense and pull the missiles out of your country or the radar system out of Poland? And how do you see the relationship developing in the future with Russia, not only for the Czech Republic, but Eastern Europe and vis-a-vis, the allies you have referred to in the European Union?

Thank you.

KLAUS: This is a question for the press conference, not for academic meeting here at Cato. So -- because it forces me to make strong political statements, which is not my ambition here this morning.

I think that what happened is something I'm -- I don't have troubles, problems to accept. And that's all. I wouldn't demonize this solution. I didn't demonize the -- the previous concept. So it's one relatively smaller -- smaller moment in -- in -- in our current -- current history. So it's not a big issue for me.

I know that someone invested too much of his or her political capital into -- into this idea, and now it's -- this investment is lost. But that's quite understandable, so those people who lost the invested capital are a little bit more angry than I am.

CRANE: OK. Question down here?

QUESTION: Mr. President, I'm Jerry Campo (ph) and was involved in periods in 1989 political activities. And I'm wondering if -- if -- recalling your role in 1989, what was your observation or the point at which you realized that -- that Czechoslovakia could break free without the Soviet Union being able to stop you?

KLAUS: This is, again, not a question. It's for writing a book or something like -- something like that.

First, I am, by the way, preparing a serious book about -- about the last decades, which hopefully will be published in November in the Czech language. So I will try to discuss both.

The first part is I -- I call it a pre-yesterday -- is it possible to put it that way -- which is the communist era, what we left behind. So the second is yesterday, the moment of transitional transformation. The third -- the third part is today. And the fourth part is tomorrow, where it is moving.

So I hope this book will be -- will be -- will be completed in -- in a month's time. So -- so for a more detailed -- detailed answer to that question, I would say that, for us, on the one hand, the break -- the fall of communism in its moment, timing came definitely unexpectedly. On the other side, other hand, we have been moving in the second half of the 1980s to such -- to such a situation. It was just a question of -- question of time.

So it was not a shocking experience. We were more or less prepared for something -- for something like that. The question was really, what would be the last drop which will change -- change the situation? So it was not a shocking -- shocking experience, I must say.

CRANE: We have time...

KLAUS: When I -- when I -- when I -- I got the Austrian question here, I -- I happened to be in Austria in the days, last six days before the Velvet Revolution, before the 17th of November in our country. And I was -- it happened on Friday evening, the student demonstration in Prague. And I was -- on Thursday evening, I was at University of Linz, you know, the city of Linz, and the quite well-known university.

And I -- I spent two hours talking with the university -- with professors at the economic faculty about things, and I asked about Hayek. And -- and they told me, it doesn't exist here. It doesn't exist here. The students at our university don't have Hayek on the list of the literature they are supposed to study.

And I was in the huge hall with 1,000 students, and I -- I said, one day before, 24 hours before the -- the break, I said, "If -- if Hayek is dead in Austria, we -- we will make him alive in Prague again." And, of course, which means I -- I didn't know...

(APPLAUSE)

I couldn't expect that it would be the next day, but the -- but the general feeling in the country, I would say, was -- it was really -- it was really such.

CRANE: One last question.

QUESTION: Hello. Good morning.

Thank you for your comments. My name is Bordan (ph) (Inaudible). I am from Temple University in Philadelphia, and I'm a Ukrainian immigrant here, and I'm just as cheerful as you are about the fall of Communism in the Soviet Union.

So -- but at the same time, I wanted to ask you there is plenty of evidence, plenty of historical evidence that free-market capitalism does not work in every aspect of life. It's not, you know, certain areas of life, it works better.

Does the there is pathologies as a free-market capitalism that are real both in the environmental sphere, in the social sphere. And I'm not trying to say that -- see, in my view, and I think a lot of people -- younger people think that way -- neither free-market capitalism nor socialism work in their, you know -- as ideologies, as systems of organizing societies.

So they both have their own pathologies. So I'm asking how, you know, there is dangers which -- there's plenty of evidence. You know, you call it global warming...

CRANE: Your question is what?

QUESTION: The question is: Are you -- how are you planning to protect your society in the Czech Republic from these pathologies of free-market capitalism? Certain areas of life, free markets do not work.

KLAUS: We understand the question. So I don't want to protect the Czech society from free-market system. On the contrary. I want to introduce the free-market system as much as possible. So the market system will take care of itself and of the rest of us, including of you (inaudible) sure.

(APPLAUSE)

CRANE: Thank you, President Klaus, for a very informative presentation. I should just mention that I once, in 2004, gave a speech at Saint Petersburg University to 60 business students, and I asked how many knew who Ayn Rand was. And, of course, she was a graduate of Saint Petersburg University, and one person raised his hand. So similar situation.

Anyway, thank you very much, Mr. President. And please stay seated. The next panel will be up here immediately.

(APPLAUSE)

END

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