

Czechoslovak Daily Herald

THE DENNÍ HLASATEL

ESTABLISHED 1891 — THE OLDEST CZECHOSLOVAK NEWSPAPER IN THE WORLD

FEBRUARY 20, 1992



CZECHOSLOVAKIA 1992

The Struggle for True Democracy Continues



Prague, Czechoslovakia

Two years have passed since those historic days of December of 1989 when Czechoslovakia joined the community of free nations again. A great joy had suddenly replaced the sorrow of the previous 45 years. People in Czechoslovakia were hoping that finally they will be allowed to live with a sense of dignity and pride and that their children could have realistic dreams and hopes. They also thought that the communist thugs who have ruled their land for so long would be at last brought to justice.

Those living in exile, many having escaped just to save their lives, were also overjoyed with what they thought would be a new, free Czechoslovakia.

Many Czech and Slovak exiles living in the United States had their property and belongings illegally nationalized (stolen) by the communists and now had cause for hope that after all those years these would be theirs again. The great many are now senior citizens and have been loyal Americans for several years.

Those hopes and joys have turned to disgust and anger. President Havel, who had proclaimed that "We will no longer lie to the people", has turned out to be no more than a puppet of the ex-communists who today rule Czechoslovakia, while those who were poor before are even poorer today, thanks to the "brilliant" economic shock therapy of Finance Minister Vaclav Klaus who refuses to accept any advice, even though these same policies have devastated Poland and now hurting Jeltsin's Russia.

And as far as finding justice in current Czechoslovakia, good luck. No one is looking for an all out witch-hunt, just some assurance that the

pleas of those unjustly persecuted by the communists will be heard, and even that would be a major accomplishment today.

And for those Czech and Slovak Americans hoping to get their rightful return of what is their's looks bleaks as well. Although Czechoslovakia had a law of restitution of properties, it discriminated against American inthat it required those wanting their properties back to return to Czechoslovakia, take up permanent residence and citizenship, which requires at least 2 years, while likely losing U.S. citizenship since dual citizenship is not allowed. Several members of Congress, led by Representatives Henry Hyde and William Lipinski, wrote to President Bush and President Havel protesting this law, only to receive less than satisfactory responses. And the deadline "officially" ended last October, meaning another slap in the face for these Americans.

No one expected any miracles in 2 years, but the situation has gone from bad to worse with no hope in sight. We are concerned for the fate of our ancestral homeland as the articles published here indicate. Ours is not a fight against Czechoslovakia, but rather against the scoundrels running it.

For over a century now, our publication has always been promoting freedom and justice for Czechoslovakia. This struggle continues today as that country has very long way to go before true democracy will be entrenched there. We speak on behalf of those whose voices are not being heard in Czechoslovakia, as well as for countless Czech and Slovak Americans who are frustrated over the plight of their once proud homeland.

— Josef Kučera, Publisher

Shock Therapy: Myths and Reality

By Milan Matějka, Prague School of Economics

During my current visit to the United States I have read with great interest and even with greater surprise the article in the Washington Post (1/5/92) "Shock Therapies for Sick Economies" written by Steven Mufson. The development of economies cured by shock therapy which was discussed in the article seems to me more of a desired state of the authors and supporters of the therapy, not the reality.

Claims about the successes of shock therapy (based on new orthodoxy) were opposed by many critics, for example, by Stephen Smith in the study "Industrial Policy in Developing Countries", published by the Economic Policy Institute in Washington, D.C. (see also the article "State vs. Market in Development", by M. Prouse Financial Times October 7, 1991). I feel it is necessary to contradict the claims about successes of shock therapy in Poland and particularly in Czechoslovakia where the situation is familiar to me.

The Polish Reality

After two years of application and trial, shock therapy was through in Poland. The representative of shock therapy in Poland, L. Balcerowicz, became the most hated person by the majority of Poles in spite of his overwhelming support from abroad. At this time he is not a member of the government. A new Polish premier, Jan Olszewski, openly spoke of the crisis in Poland as a direct result of this concept of economic reform.

The following results were reached after two years of shock therapy: industrial production in 1991 fell by 35% in comparison with 1989; 40% of the state companies produced with a loss in 1991; the annual rate of inflation in 1991 was 100% and the state budget was in a huge deficit. The balance of foreign trade was also negative; exports fell in 1991 by 7% compared to 1990; imports increased by 35%, and imports of consumer goods doubled; there was a large decrease in investment. Real income of the population also decreased by a significant percentage and unemployment increased. In summary, all economic indicators have worsened since 1989 except that the rate of inflation was lower compared to 1989, though it is still high. Even though about \$20 billion in Polish foreign debt was forgiven, this did not help the problems substantially. The country has been shaken by strikes, social and political chaos. Mufson's description of Polish results seems to be more whitewashing.

General Prescription?

Rational economic policy has to be tailored to the specific conditions of the particular country and based on the detailed analysis (diagnosis) of a particular economy, and its external environment. Shock therapy doesn't respect this principle. As it was presented by Mufson, the same cure was, unfortunately, used even for Czechoslovakia.

When shock therapy was applied, the Czechoslovak situation was substantially different—and much better—than that in Bolivia or Poland. The rate of inflation in Czechoslovakia was very low—less than 3%—foreign debt per capita was also much lower than in Poland, the living standard was acceptable. Expansionary economic policy focused on modernization of industry, building infrastructure, and increasing the competitiveness of products was desirable. The economy had to be open to foreign competition gradually and segment by segment each increased in competitiveness. Such recommendations were made by Japanese experts (Nomura Research Institute) to the Czechoslovak government. They also recommended the regulation of hard currencies for priority use in modernizing technology.

Instead of this, a simple pattern of shock therapy was applied: general liberalization of prices and foreign trade connected with restrictive macroeconomic (fiscal, monetary, and wage) policy. Liberalization of foreign trade is enabled by introducing so called internal convertibility of domestic currency. This move to internal convertibility is only possible with the help of substantial loans from IMF or other foreign financial institutions, since countries submitting to shock therapy do not possess sufficient amounts of hard currency necessary for exchange demand. Domestic currency is exchanged in a fixed exchange rate which undervalues domestic currency and makes export more attractive. This package of macroeconomic measures is followed by privatization. The input of foreign capital to the country is not regulated.

First Phase of Cure: Crisis of Enterprises and Macroeconomic Equilibriums

The first phase of shock therapy has shown negative results through a great decrease of production and a financial crisis for enterprises. Companies are losing quickly their outlets in internal markets for several reasons:

- State reduces spending to infrastructure and especially investment subsidies to industrial enterprises. That leads to decrease in demand for investment goods;
- Price increases connected to the liberalization of prices depreciate savings of the population and decrease the real wages (state applies measures against increase of nominal wages). This leads to a decrease in aggregate demand for consumer products; demand for domestic consumer products decreases particularly quickly because

of mass imports of foreign consumer goods (a part of which is often done illegally);

- Critical financial situation of enterprises created by sales problems (from a. and b. above) is worsened by restrictive monetary policy, that is, high interest rates, and generally tough credit conditions. Companies substantially reduce investment activities which multiply the decrease of demand for investment good which was initiated from reason a. above. (In Czechoslovakia for example, the demand for trucks fell in 1991 by more than 80% compared to 1989.)

Companies which must pay taxes and interest from credits as a first priority do not then have money to pay for the products themselves. And when some customer don't pay their supplies, this creates a domino effect. In Czechoslovakia in the middle of 1991, more than 80% of industrial enterprises were insolvent and the insolvency increased from the beginning of 1990 in nominal value, more than 20 times.

The biggest decrease of production is in the manufacturing industry. Mining production, production of electricity, and other simple ecologically harmful productions stagnate, more or less, because lower internal demand is compensated for by increasing export of these products. The structure of industrial production and the structure of export has taken on a colonial look. In Czechoslovakia daily engineering production dropped at the end of 1991 by 50% compared to the same period in 1990, while the production of coal and electricity decreased by only 3.5%.

The state budget has a surplus from the first phase of shock therapy. The main reasons of that are cuts in governmental spending and increased tax incomes from paper (fictive) profits. When prices are liberalized, production is valued in new substantially higher prices but the cost of the materials are still calculated according to the old prices. Companies are using up their back inventories which enable them to register an enormous "profit". In Czechoslovakia, nominal profits in January 1991 (just after liberalization of prices) increased by more than 200% compared to January 1990, and real profits (nominal profits corrected by price index) increased by more than 100%.

The foreign trade balance in the first phase of shock therapy also looks positive. Mainly there is a great decrease of imports of investment goods. Companies have no money for purchasing machines and equipment. Positive influences on the trade balance have also increased export of raw materials.

Second Phase: Financial Crisis of the State and Social Chaos

With a time lag, the financial crisis of companies will have a significant impact on the financial situation of the entire country. When old inventories are used up, material costs are calculated in new prices. Profits of enterprises decrease substantially and, leading to a decrease of tax income to the state budget. In December 1991, profits of enterprises in Czech industry were almost 10 times lower than in January of the same year! (January 1991=13 billion Kčs, December=less than 1.5 billion Kčs). Increasing unemployment leads to a decrease of wage tax income and to an increasing pressure for budgetary spending (such as unemployment compensation). The surplus in the federal budget is changing to a deficit.

Czechoslovakia is now at the beginning of this second phase. The next development in the economy under the process of shock therapy will be the following (the Polish experience): Budget deficit will create inflation; domestic currency under the fixed exchange rate is overvalued which is favorable for import but favorable for export; sales problems of domestic procedures are increasing. It is necessary to devalue domestic currency but devaluation has an inflationary impact. The spiralling movement of decreasing production, inflations, devaluations, and decreases in living standards is accelerating. The population is rejecting shock therapy, and the government is forced to apply a different economic policy.

Input of Foreign Capital

Foreign capital comes very cautiously into the country which is destroyed by shock therapy. Only the most attractive enterprises, or plants (parts of enterprises) are of interest. Very tough conditions are asked—low prices for companies, tax holidays, and protectionist measures. Most interesting are simple and ecologically harmful industries which are limited and expensive in developed countries. The R&D basis in the country is losing opportunities because advanced industries are repressed in contrast to the simpler ones. Hence, there is a tendency of a brain drain because of this.

Countries cured by shock therapy have become colonies not only from the production structure perspective, but also because the most attractive part of the industry are owned by foreigners. Workers work for foreigners in their own country. Enormous differences between salaries of foreign

Continued on page 3

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What Should America Support? Transformation Program for Czechoslovakia

Milan Zelený — Fordham University, New York

There is still time for abandoning or at least correcting the IMF-dictated "shock therapy" of the reformists or neo-communists. Economic transformation must be decentralized; taken from the hands of the central State and its bureaucracies, given to the parliaments and worked out locally, according to economic sectors and regions and their long-term development plans. Parliamentary commissions are responsible for coordination of regional, sectoral and local plans: the central Government, which does not own anything in Central Europe, should get out of the picture.

The following steps should not be scrambled or violated for any political or new-world-order reasons:

- 1) Prepare the Constitution, laws and assurances which guarantee, finally and irrevocably, the sanctity of private property, freedom to do business, reliability and enforceability of private agreements and contracts, assurance of profits expatriation, protection of enterprise, separation of powers, and freedom from conflicts of interest.
- 2) Remove the responsibility for economic reform from the government and its institutions and transfer it to the Parliament and its professional Commissions, composed of expert representatives of enterprises, unions, localities, ecological groups, etc., not just accountants and bank clerks. Have the Parliament declare a 3-6 months "cease fire" on all ongoing implementation of current shock treatments, price liberalizations and privatization efforts of ex-communists.
- 3) During the "cease-fire", let the Parliament establish sectoral and regional commissions of experts, structured according to individual republics, regions, industries and localities. These commissions prepare privatization plans according to the local conditions and in view of long-term development plans for the regions. No artificial dividing into "Small" or "Grand" privatization is permitted.
- 4) These local, regional, sectoral and republic plans are translated into privatization needs. After lawful restitution to physical owners and their heirs, the employees are the rightful owners of the enterprises. Through bank loans, investment coupons, terms of employment, pensions and mutual funds — as well as through direct physical grants of shares — these employees are going to form private companies based on shared ownership, profit sharing and risk sharing. These new and rightful private owners, never the State will obtain the right to go public, to sell to foreign investors, to sell to small groups of owners, etc.
- 5) This decentralized, distributed and locally rooted privatization must be accompanied by vigorous demonopolization. No monopoly will be allowed to function as a private firm until at least three independent producers or providers have been established through distributed privatization. Both privatization and demonopolization is carried out according to industries and regions, not across the entire economy. State and central Government have nothing to do with these processes: they simply carry out and enforce the wishes of parliaments and their appointed commissions.
- 6) According to the success with privatization and demonopolization in individual industries and regions, there is going to be a phased liberalization of prices and wages in those successfully privatized and demonopolized industries and regions. Freeing of prices must reflect and accommodate real economic advances in quality, variety and quantity of goods and services. Freeing of prices must not be the current undeserved reward to state monopolies and their ex-communist nomenclature for quickly selling off somebody else's property.
- 7) Proceeds from privatization (selling of shares, selling for cash) must stay in the company or in the locality: no proceeds can be siphoned off into central State emergency and insurance funds. Capital is needed where capital is needed, i.e., in the entrepreneurial and business spheres, not in the governmental coffers. Proceeds from selling or acquiring State properties (newly created, not confiscated) go into the infrastructure fund, controlled by parliaments and their local commissions. Rebuilding of the infrastructure is the first and primary task of the new economy.
- 8) State has no right to sell, close or otherwise tinker with any business. Only the new private owners have such rights. Management and employees, in cooperation with their localities, decide which enterprises are to be shut down, only after they have exhausted their own attempts and trials. No artificial, State-induced unemployment is to be sanctioned by law. In Central Europe, because of the extreme immobility of the workforce, all and any unemployment is going to be extremely painful and socially disruptive. Productivity must be increased not by firing people, but by doubling the output. The Central State, with all its after-the-fact "safety nets", should be removed from the entrepreneurial and business spheres.
- 9) All this reform progress must be continually, reliably and publicly

monitored by the Parliament. Every month, parliamentary hearings must establish what goes right, what goes wrong and who is responsible. Specific, quantitative achievement criteria must be established and monitored. Corrections, adjustments and adaptations must be ongoing, swift and enforceable. There is no "The Only Possible Path", as we have seen proclaimed by neocommunist in Czechoslovakia. All central statistics and data collection institutes must come under direct control of parliaments; they cannot remain under central governmental control.

- 10) Finally, all information at each step of the process must be available to the public. The public, i.e., hard-working and long-suffering citizens of these countries must be engaged and drawn fully into the transformation process. They cannot be protected from "bad news", they cannot be denied access to information and they must not be lied to.

The above sequence of steps is plain and simple economics. It would take several years, but it could not miss its target: the free market economy. It should be tried very soon if the central State of the ex-communists are not to come back rapidly and with a vengeance.

What Has V. Klaus and his Shocks Achieved in One Year in Czechoslovakia?

Although the Sachs-Balcerowicz reforms have failed in Poland, although the Sachs-Gaidar reforms are still persisting but being significantly curbed in their devastation of Russia, the Sachs-Klaus reforms are having their heydays in Czechoslovakia.

In only one year and according to their own official figures, Klaus and his neocommunist have managed to drop the industrial production by 23.1% (unofficially 30-50%), gross domestic product (GDP) by 14%, domestic retail sales have dropped by 39.8% (there goes the theory of lost Russian markets!), inflation (in one year only) climbed to 57.9% and unemployment reached 6.6% (unofficially 10-11%) and productivity dropped about 23%.

Compare these numbers with the so called recession or depression in the U.S. and you will start getting the idea of what a real pain, not just the "New Hampshire pain" could feel like.

In short, within one single year of 1991, V. Klaus and his IMF supporters have managed in one year what the Communists and the Nazis have not succeeded in doing over the past 50 years in Czechoslovakia!

The prospects for 1992 are disheartening: further worsening in all of the above mentioned indicators, incredible foreign indebtedness, unbalanced budgets, bankruptcies, breakdown of the State, governmental corruption and loss of democracy.

Why does the West ignore these numbers in Czechoslovakia? Why is the voice of people so blatantly ignored? Why is the IMF-sponsored "reform" allowed its free reign in these historically sovereign countries?

Shock Therapy: Myths and Reality...

managers and domestic workers lead to growing nationalism. The country as a whole receives small financial receipts from companies owned by foreigners because of their tax relief and because of repatriation of profits.

Privatization

Privatization of property which has not been sold to foreigners in Czechoslovakia is realized also by the shock method through the so-called voucher method—a process by which normal citizens have no real information about the state of the enterprises. This leads to a concentration of power in the hands of so-called investment privatization funds which buy vouchers from people or manage vouchers. They ask extremely high fees in return for this management. During the first year of privatization, the fee is 5% of the capital value, so monies which are needed to be used in companies for modernization goes instead into the hands of speculators of privatization funds. For the production base, this is another strong blow.

It is quite realistic to expect that after voucher privatization, in Czechoslovakia there will be an explosion of mass unemployment and with it social and political chaos.

Conclusion

The development of East European economies under shock therapy was extremely negative until now. It is realistic to expect that it will be even worse in the near future. The long term prospect are unclear. There is no serious argument for reversal of this negative development. On the contrary, the country destroyed by shock therapy will have to pay the debt and interest from debt which is a result of IMF loans to ensure the internal convertibility of the national currency. Shock therapy has to be replaced by gradual growth-oriented transformation without delay.

Congress of the United States
House of Representatives
Washington, DC 20515

April 16, 1991

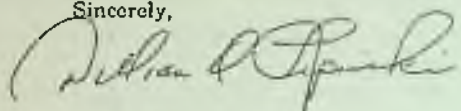
Czechoslovakia -- A Closer Look

Dear Colleague:

As the euphoria brought about by the revolutions in Eastern Europe wears off and the new governments turn to the difficult task of governing their beleaguered countries, I commend to your attention a special edition of *Denni Hlasatel*, the only Czech daily in the West. Accompanied by an open letter from editor Josef Kucera, the issue examines recent events in Czechoslovakia and highlights some of the serious missteps taken by the Havel government since the "Velvet Revolution" of 1989. As we begin to consider aid packages to Eastern Europe for fiscal year 1992, I urge you to carefully consider the issues raised by the editors of *Denni Hlasatel* and particularly the recent restitution law which unfairly discriminates against Czech-Americans who had their property nationalized by the Communist regime.

Should you or your staff need additional information about this edition of *Denni Hlasatel* or the Czech restitution law, please feel free to contact Mark Callon of my staff at 5-5701.

Sincerely,



William O. Lipinski
Member of Congress

House Office Building
Washington, D.C., 20515

April 12, 1991

Dear Congressman

I am writing to you in an attempt to prevent a gross injustice which is being planned by the government of Czechoslovakia against thousands of American citizens who had their properties nationalized in that country beginning in 1945 by the Benes Government and later in 1948 and on by the communists.

Recently, the government of Czechoslovakia passed laws providing for restitution of property or payment of compensation for property expropriated or taken by the Czechoslovak government during a certain time period. Enclosed is an excerpt regarding this matter from the February 25, 1991, U.S. Department of State Dispatch .

What is not contained therein however, is what Czechoslovakia is offering as compensation and the conditions of the agreement. To be eligible, one must be a citizen and permanent resident of Czechoslovakia. One also has only a certain time limit , 6 months, from the enactment of that bill, to achieve such status.

I submit that this is a rather restrictive demand considering that many of the claimants are senior citizens who would be forced to move back into a country which they were forced to move out of in the first place, and for many over 40 years ago. And they would be moving back to a country where oddly enough, the same people who forced them out, namely the communists, are still largely running things and are actually writing these new restitution laws , basically for their own benefit .

Further, what is being suggested as restitution in many cases is a set lump-sum settlement, a mere pittance of the actual value.

As Mr. Vladimir Galuska of the Czechoslovak Embassy in Washington explained to me, it is unlikely that any substantial compensation will be made.

Our lawyer in Czechoslovakia summarized that it is an organized attempt to make it as difficult as possible for those in exile to get back what is rightfully theirs in order for the former communists to be able to still have control of the majority of properties.

All of this suggests that the Czechoslovak government has little desire to return those properties or justly compensate those owed. In short, it is a blatant rip-off !

However , this would not be the only injustice that these people have suffered concerning their properties. The last one occurred in 1982 with the U.S.-Czechoslovak Claims Settlement Agreement which saw the current claimants left out in the cold because they did not comply with the stipulation of being a U.S. citizen in 1948. Our government returned nearly 9 metric tons of gold to the communist government of Czechoslovakia, whose human rights

violations and general destruction of that nation are especially vivid today, for the purpose of satisfying some of the claimants, while the vast majority were completely ignored.

Not all members of Congress supported that legislation however, among them being the distinguished Representatives from Illinois, Congressman Edward Derwinski and Congressman Henry Hyde.

Congressman Derwinski pointed to the unnecessary fast track on the bill which allowed for little input from the Czechoslovak-American community and compared the return of the gold to the previous return of the Crown of St. Stephen to the communist government of Hungary, which he considered a less than satisfactory agreement as well.

Congressman Hyde remarked (Congressional Record-December 15, 1981) that the government of Czechoslovakia does not represent its people and is a satellite of the Soviet Union, and should not receive any money.

Their basic view was that this gold should be returned when Czechoslovakia is free, and not given to the tyrants that ruled that country who would only squander it. And that they did.

As it turned out, not only was the return of this gold an insult to Czechoslovak-Americans, but an outright blunder as well. Had this gold still been in the U.S. today, ALL Americans with legitimate claims could have been 100% compensated , not just a select few. And this could have been achieved without any expense to the new Czechoslovak government.

Congressman Wolff of New York, who was one of the sponsors of this bill, stated at the time (August 19, 1980, House Committee on Foreign Affairs) , that the United States cannot afford to give the impression that the expropriation of properties of U.S. citizens is an insignificant matter which can be done with impunity and satisfied with a tiny fraction of the properties worth.

I certainly agree with Congressman on that point. And why should this be any different now, because that is exactly what the Czechoslovak government is proposing, compensation for a tiny fraction of the properties worth, if that.

My parents are among the thousands of U.S. citizens who have been loyal Americans for over 4 decades, who are both in their upper 70s and who also stand a good chance of having their legitimate claims refused.

I cannot sit idly by and witness such an injustice. These are the very people who helped build up Czechoslovakia and make it the prosperous nation it once was. It was their properties, estates, industries, houses, bank accounts and pension funds that the communists and the Benes government before them were able to steal from all those years which kept them going.

They are also the ones who contributed to our nation's prosperity as well , bringing from Europe a positive work ethic and a desire to contribute to the welfare of their new homeland, America, a nation of immigrants .

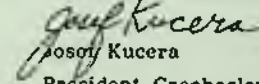
They rightfully deserve the help of Congress in this matter. On one hand, we are offering a variety of economic aid packages to assist Czechoslovakia, while that country is trying its hardest to rip-off so many U.S. citizens.

Does this make sense ? Or is our government telling us, "that's your problem." Shouldn't any economic aid or MFN status be contingent upon Czechoslovaks full or at least fair compensation to American nationals as it was in the U.S.-Czechoslovak Claims Settlement Agreement of 1981 ?

I submit that it should, in the service of justice and fairness. The testimonies of these claimants call out to be heard by Congress, as others were in 1981. Issues of justice and fairness are still not well understood today in Czechoslovakia as it is still virtually controlled by former communists. These people have little recourse but to seek help from you , a representative of the most powerful nation on earth.

We again feel powerless, just as we did when the communists ruled our ancestral homeland. And now time is running out on us. Please help us.

Respectfully



Josef Kucera
President, Czechoslovak Daily Herald

Congress of the United States

House of Representatives

Washington, DC 20515

May 10, 1991

Dear Colleague:

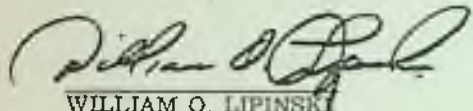
Please join us in sending two letters regarding the recent Czechoslovakian restitution law which unfairly excludes American citizens. One is to President Havel seeking renewed consideration of the law, the other is to President Bush asking him to intervene on behalf of Americans affected.

Enacted in February of this year, the restitution law restores ownership or provides compensation for property confiscated by the Communist regime of Czechoslovakia. However, the law excludes U.S. citizens from restitution by limiting eligibility only to Czechoslovak citizens residing in Czechoslovakia. U.S. citizens of Czechoslovak descent and their heirs must therefore acquire citizenship and residency in Czechoslovakia to be eligible to regain property that is rightfully theirs. We believe it is unfair to require the return of U.S. citizens when many of these people fled Communist persecution, and it is pure demagoguery to offer restitution with so many strings attached that few will receive their due.

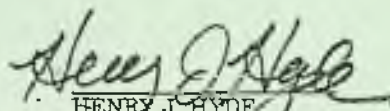
We also ask President Bush to consider action against Czechoslovakia if the discrimination against U.S. citizens is not rectified, and we propose that the U.S. Foreign Claims Settlement Commission be directed to accept the claims of affected U.S. citizens and businesses.

To co-sign either letter or for more information, please contact Mark Callon (Rep. Lipinski) at 5-5701 by NOON on FRIDAY, MAY 24. Copies of the letters are printed on the reverse of this page.

Sincerely,



WILLIAM O. LIPINSKI
Member of Congress



HENRY J. HYDE
Member of Congress

President George Bush
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20006

Dear Mr. President:

The Government of Czechoslovakia recently enacted legislation which will provide restitution for property confiscated after the Communist takeover of February, 1948.

It has come to our attention that the law excludes American citizens by limiting restitution to Czechoslovak citizens residing in Czechoslovakia. Many American citizens of Czechoslovak descent lost their property to the Communists when they fled Czechoslovakia and have long awaited an opportunity to regain their possessions. Like current Czechoslovak citizens, they are victims of the Communist government and rightfully believe they should share in any restitution.

We recognize the difficulty in finding a solution to the complex restitution issue at this time of limited financial resources and divided public opinion in Eastern Europe. However, we believe the suffering of the international Czechoslovak community should not be ignored.

We ask you to pursue this issue with Czechoslovak authorities and persuade them to reconsider the restrictions on this legislation. It is in the interest of Americans and Czechoslovakians alike that all victims of Communist persecution be justly and properly compensated.

Sincerely,

President Vlacav Havel
President of the Czech and Slovak Federal Republic
Presidential Palace - Hracany
Prague, Czechoslovakia

Dear Mr. President:

We applaud your efforts to remedy the injustices of the former Communist regime and to provide restitution to its victims. The recently enacted Law of Extrajudicial Rehabilitation - which provides for restoration of ownership or monetary compensation for properties confiscated by the Communists - is a particularly dramatic step toward righting the wrongs of the past forty-five years.

However, it has come to our attention that this law unfairly excludes foreign nationals by limiting restitution to Czechoslovak citizens residing in Czechoslovakia. Many Americans of Czechoslovakian descent lost their property when they fled Communist persecution, and we believe their ownership rights deserve the same recognition as the people who stayed in Czechoslovakia.

We urge you to reconsider the restrictions on this legislation so that all victims of the Communist regime are justly and properly compensated.

Sincerely,

HON. WILLIAM O. LIPINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 24, 1991

Mr. LIPINSKI. Mr. Speaker, I would like to join the Czechoslovak-American community of Chicago in saluting the Denni Hlasatel newspaper on the occasion of its 100th anniversary. Known in English as the Czechoslovak Daily Herald, it is the largest foreign language daily newspaper in the United States and the only Czechoslovak daily in the West. Its size, longevity, and continued excellence is testimony to its hard-working staff and reflective of the Czechoslovak-American community as a whole.

Throughout a century which saw the nation carved out of the Austro-Hungarian Empire, invaded by Nazi Germany, and then dominated by Soviet-backed Communists for more than 40 years, Denni Hlasatel has faithfully served its readers in many ways. Besides bringing the daily news of Czechoslovakia, no small task considering this past century of upheaval, it promotes the rich Czechoslovak heritage and serves as a strong voice for freedom and democracy within Czechoslovakia. Even now in the 2 years following the "Velvet Revolution" of 1989, editor Josef Kucera, Jr. works tirelessly to see the democratic reforms of the revolution entrenched and the victims of the Communist rule compensated.

Denni Hlasatel was founded on May 1, 1891, to fill the gap created by the closing of another Czechoslovak daily. Since that time it has emerged as a mainstay of the Czechoslovak-American community, building a readership of 10,000 and serving as a needed forum for the issues facing the community. Its role within this community has been invaluable.

My congratulations to Denni Hlasatel and my best wishes for another 100 years of exemplary service.

Radio's importance

BERWYN—Recently, the Tribune ran an editorial calling for the phasing out of Radio Free Europe broadcasts to Czechoslovakia, Hungary and Poland ("Wind down the propaganda machine"). I strongly disagree with this idea.

I am in constant correspondence with people from Czechoslovakia, including several relatives. They speak of ever-increasing disillusionment with their government and frustration with their media's reporting of the news.

They feel that they are not being adequately informed as to what is really happening inside their country, being that the major media virtually report the official state view and often denies the public access to government opposition leaders.

True democracy has a long way to go before it will be entrenched in Czechoslovakia. To undo more than four decades of totalitarianism will take years.

To help the democratization process along, the people need an honest, unbiased news source of the type that Radio Free Europe has long been associated with. Now is not the time to take away this vital resource from these people when so many problems continue to face them.

If freedom and democracy are to succeed in Eastern Europe, the role of agencies such as Radio Free Europe cannot be underestimated.

Josef Kucera
President
Czechoslovak Daily Herald

CHICAGO TRIBUNE
VOICE OF THE PEOPLE
SEPTEMBER 3, 1991

Czech exiles here fight to reclaim part of their lives

By Tom McNamee
Staff Writer

Joseph Kucera is a man of modest means in Cicero, but he was a wealthy man once in Strasnov, Czechoslovakia.

In the decades before World War II, Kucera owned a flour mill on a 3,000-

acre estate near Strasnov and helped run the biggest family farm in his village.

But when the Communists came to power in 1948, they nationalized the mill and confiscated the farm, turning it into a collective. Kucera fled for America.

Now the Communists of Czechoslovakia are history—deposed in the "velvet revolution" of 1989—and Kucera, like thousands of other Czech expatriates, is demanding restitution. He wants his estate and compensation for the mill.

But the new Czech government of

playwright Vaclav Havel, pleading poverty if not fairness, is balking. In a law passed in February, the Czech government decreed that only Czech citizens residing in the country would be eligible for restitution.

To be eligible, Kucera, along with

Turn to Page 4

Czechs

Continued from Page 1

hundreds of other Czechs in the Chicago area, would have to renounce his U.S. citizenship, abandon his second life, and start all over in Czechoslovakia.

"I have worked hard here all of my life," Kucera, publisher of a Czechoslovakian newspaper in Berwyn, said. "I came here and worked for 20 cents an hour at 48th and Hoyne, grinding boxes for submarine batteries. This is my life. It would be very, very hard to leave."

By some estimates, as many as 500,000 Czech immigrants and their descendants live in Illinois, the majority residing in the Berwyn and Cicero area and the farther western suburbs. About 100,000, according to Berwyn attorney Robert Vlach, came to the United States between 1945 and 1948, when the Communists were rising to power.

Vlach, who is of Czech descent, represents 40 Czech-Americans, including 30 from the Chicago area, seeking restitution.

But tens of thousands of others probably could make legitimate claims, he said, because those Czechs who fled in greatest numbers in 1948 were from the property-owning classes.

Vlach said Czechoslovakia's law of restitution discriminates against Americans because they, unlike citizens of such countries as France, Canada, Austria and Germany, are not permitted to hold dual citizenship. In keeping with a 1928 accord between the two countries, they must renounce their U.S. citizenship in order to gain Czech citizenship.

"I say no. I'm an American and that's it," said a Czech expatriate living in Cicero who once operated one of Czechoslovakia's largest lumber mills. "American citizenship is worth any millions of dollars. When I was in trouble, America took me in."

Czech officials concede the law of restitution is not completely fair, but say it represents the best attempt of a struggling democracy to strike a balance between justice and economic realities.

"The budget just does not have sufficient funds, nor will it in the future, to provide financial compensation for all seized properties," Czechoslovak Consul Vladimir Galuska argues in a written statement. "It is, in truth, not possible to untie this moral and economic Gordian knot"

Nonetheless, the Czech community



SUN-TIMES/Phil Velasquez

Joseph Kucera Sr. (left), pictured with his wife, Rose, and their son, Joseph, wants compensation for the flour mill he owned in Czechoslovakia before the Communists came to power, nationalizing the mill and turning the farm into a collective. The new Czech government says no.

in the United States, supported by influential senators and representatives, continues to pressure the Czech government.

In a letter dispatched to Havel last week, Sen. Alan J. Dixon (D-Ill.) and other legislators urged the Czech president to "reconsider the restrictions" so that all "victims of the Communist regime" are "justly and properly compensated."

Last fall, Kucera's son, Joseph Jr., visited Czechoslovakia. He embraced a

half-brother and half-sister he had never met and walked in his father's footsteps.

The family farm, he found, was in ruins. The flour mill was gone. And a neighbor who had been assigned by the local Communists in 1948 to snoop on his father lived now in one of the biggest houses in the village.

"It seems like the old communist axiom," Kucera Jr. said. "What's yours is mine, and what's mine is none of your business."

Czechoslovak Public Forum

Dalsorstrasse 11 — 8000 Munich 70 — Germany

Dear Daily Herald's editorial staff:

2-14-92

Sincere thanks for sending us your newspapers that we read with great interest as its contents is, in many aspects, similar to ours and our ideas.

Today, we are asking you for help, in a humane and legal matter, regarding Mr. Miloslav Mareček from Kyjov, southern Moravia. Enclosing to your attention is our press release report with attorney Hulik's legal analysis and asking you to publish both text.

Before November 1989, Mr. Mareček circulated 'underground' paper called "Few Words" and for that, he was investigated, his house was searched and he was held about 20 days in jail. When he went on a hunger strike, food was forced into him and therefore, his protest was forcefully ended.

From the beginning of 1990, Mr. Mareček has been hopelessly trying to have the prosecutor's office review his case and legally go after his investigators who were involved in this so called "billy club law" of February 1989, under which demonstrators and underground newspapers distributors, among them Mr. Mareček, had been persecuted. The prosecutor's office has been continuously 'delaying' his case.

In October and November of last year, Mr. Mareček went on his 2nd hunger strike for more than 40 days and after a promise, an agreement was reached, and he ended his hunger strike. In the latter part of December 1991, he started a 3rd hunger strike, that has been going on, as of today, into its 52nd day!

Today, in Czechoslovakia, additional 160 people have been on a chain hunger strike. In Prague and Brno, demonstrations are being held and it seems, that the ruling establishment just plainly ignores it all.

Public Forum (PF) Munich has recommended to Mr. Mareček an attorney, Dr. Stanislav Křeček, that he, in the last few days, accepted. Dr. Křeček was very successful in freeing political prisoner Marian Ježík, who, with our initiative, was freed 7/22/91. Also this time, as in the case of Mr. Mareček, chairman of the presidential commission intervened.

In the meantime, we have been financing Dr. Křeček ourselves and we have to count on a prolonged legal engagement in this matter and with it, further financial outlays. We would be very grateful for your, or your readers' contributions.

We are kindly asking for your help for Mr. Mareček and at the same time, please publish enclosed documents in your newspapers. His friends from Kyjov are sure that only voices from overseas will be heard and listened to about his ordeal. Most of the press in Czechoslovakia prints nothing else but disinformation, or no information at all.

For Public Forum (PF) in Munich,
signed: *Sidonia Dedinova and Marian Jezik*
Milan Dytrych and Vilem Hosek

Hunger Strikes for Justice in Czechoslovakia Federal Prosecutors Threaten the Life of Miloslav Mareček

The current situation in Czechoslovakia with regards to prosecution of communist crimes is a travesty of justice, from the general prosecutor down to district and county prosecutors. With few exceptions, new positions of state prosecutors have been filled with crypto-communists and with former obedient servants to the former totalitarian regime.

Results under these conditions are systematic rejections and "delays" of punishable offences that were brought up against former StB (States secret police) investigators, former ruling representatives of the communist totalitarian regime, against brutal jail guards, against persons who were directly involved in the death of the dissident Pavel Wonka and other political prisoners, and persecution of people in Bohemia, Moravia and Slovakia.

On the other hand, there are those, who persistently demand justice and with the help of state's attorneys, others second time around, as in the case of former dissident, Jiří Wonka and others.

The newest Czechoslovak scandalous general prosecutors's behavior is a "final rejection" of the punishable accusations, presented by Miroslav Mareček from Kyjov, who, for the same reason, has been on a hunger strike that is now threatening his life.

We reject Czechoslovak general prosecutor's shameless objection against alleged interference into his "independence," i.e. in the form Mr. Mareček's 'protest hunger strike' and with the activity of the republic independent presidential commissions and Federal parliament. Mr. Mareček's fight has become his "life-and-death" struggle.

Not even the office of Czechoslovak General prosecutor is "independent" under the basic rules of natural law and human rights it is suppose to adhere to, that "every man has the right to a legal representation against conduct that is breaking his basic right" (DLP, article 8).

So it would be possible to punish Nazi criminals after 1945, Nuremberg Tribunal had to turn to basic ideas of natural law, first to defend the right of human life, instead of "accepting laws of former Nazi regime". Return

A Letter from Czechoslovakia

From: John M. Valuch
Kladno, Czechoslovakia

To: Denní Hlasatel
6426 West Cermak Road, Berwyn, IL 60602

Dear Editor:

February 8, 1992

I am sincerely wondering if my letter of December 6, 1992 has ever reached your address, since my international mail has been for almost four decades a favorite target of Communist police manipulations, and I have no reason to conclude that something may have changed in this respect.

Even though your newspaper deserves being praised for its criticism of the official Czechoslovak post-Communist policy and for its efforts to help righteous things get along, most work still remains to be done in order to get Czechoslovakia rid of the worst of Communist legacy.

I am absolutely positive your paper should keep advising the Czechoslovak community in America about a hard and rather desperate struggle the anti-Communist and democratic forces lead against the official post-Communist establishment, mostly represented by hard-core Communist criminals, about non-existence of a legal order and impossibility to get any justice whatsoever.

As a Czechoslovakia-born American WASP (in 1945) myself and also my late parents had been exposed to more than one hundred crimes committed by Czechoslovak state authorities against our fundamental civil and human rights, but, although I have been fighting hard to obtain at least some justice, any of those horrible crimes remains unpunished as far as now.

One full third of my lifetime I spent seeking justice and answering Communist charges and brutality. You will find enclosed a copy of my latest protest addressed to the general prosecutor of Czechoslovakia. Even though the deadline imposed by the law on the prosecutor's response to that protest expired on January 12, 1992, no one bothered, as usual, to answer in any way.

Referring to my both lifetime and present experiences with the application and reinforcement of the law in Czechoslovakia, I have a right to assert that the top officials responsible for enforcement of law and justice are either willfull criminals or fully incompetent persons and have to be treated accordingly on an international level. Your paper has the means to do enough in favor of future possible improvements.

Cordially yours, *John M., Valuch*

to natural law and basic human rights as a means to achieve justice, is important even today, so the communist criminals could be punished, even if they were in positions of justice, states' security, nomenclature, states' machinery, or wherever.

Current Czechoslovak prosecutor's offices even now are continuing to persecute on the premise of alleged legality of former unlawful totalitarian regime of 1948-1989, even though this communist dictatorship was breaking all natural human rights, that were even acknowledged by international declarations, treaties and agreements, legally signed and also ratified by Czechoslovak representatives from 1948 till today.

With their present actions, they are insulting Czechoslovak prosecutor's offices and natural concept of justice for the majority of people.

Therefore we are asking for the following:

1. Immediate recall and resignation of the Czechoslovak General prosecutor, Mr. Ivan Gasparovich and Czech General prosecutor, Mr. Brunner.
2. Immediate personnel reform of all Czechoslovak prosecutors.
3. Immediate and thorough investigation of all Mr. Miloslav Mareček's criminal presentations, also with Jiří Wonka's and many others, perhaps thousands of people, who had suffered under the former communist dictatorship.

Mr. Miloslav Mareček from Kyjov, has been holding already his 3rd protect hunger strike, surviving only on water already for the past 30 days!

Reason for it is the 'hard-headed' refusal of Czechoslovak General prosecutor and Czech General prosecutor to proceed to prosecute his investigators for the time before November of 1989.

Should Mr. Miloslav Mareček in his struggle for justice loose his life, we will hold both General prosecutors, Mr. Gasparovich and Mr. Brunner, responsible. We will go with our accusations to the International institutions for human rights and to the International courts to seek indictments for murder and their punishments.

In case Mr. Mareček ends his hunger strike and stays alive with a heavy damage to his health, we will seek prosecution and punishment for bad bodily injuries inflicted on him by "criminals sitting behind a desk," as their actions, or inactions, would be regarded in a democratic society as an accessory in a criminal act.

For Public Forum in Munich: signed *Sidonia Dedinova* with Public Forum added names:
Milan Dytrych, Marie Dytrychova, Viktor Slanina, Marian Jezik, and others.

Please, Answer These Questions:

- Why, from thousands of great and qualified economists from all over the world, why is it that only one, young man Jeffrey Sachs, who has never lived in any of those poor countries, never known their language or culture, never experienced communism or communists and never registered even a modest success, how come that this man commands full and unqualified trust of powerful and sovereign governments of Russia, Poland, Czechoslovakia and others? Whom does he serve, for how much money and why?
- Why is V. Klaus's politically-motivated shock therapy reform still supported in Czechoslovakia when it has led only to unprecedented decline in all industries, agriculture and services, skyrocketing prices, high unemployment, unprecedented levels of crime, corruption and illegal dealing, while all economics-based alternatives have been ignored or ridiculed? Why are the ex-communists on Mr. Klaus's team afforded full hearing abroad while anti-communist opponents of their "reform" are being ridiculed?
- Why are ex-Communists running and representing Czechoslovakia: Čalfa, Dienstbier, Ruml, Dlouhý, Dubček, Pithart, Dyba, Tříška, Klímová, etc. Why are they supported by the West? Why is there not a single anti-communist in the political or economic mainstream of ČSFR? Why are the anti-communist parties of Republicans and National Democrats ignored, ridiculed or sabotaged? In the 1968 book by S. Mlynář (co-founder of Charter 77), *Nightfrost in Prague*, President V. Havel was listed as a Communist Party member: who does nobody inquire? Who appointed all the ex-communists in the Government and Foreign service of Czechoslovakia?
- Why is IMF, which has no expertise in transforming a single country from socialism to free markets, no record of success in this area and only results of extreme embarrassment and human insensitivity in Poland, Russia and Czechoslovakia, why is this centralized and non-free market bureaucracy, which has kept most underdeveloped countries in their "status" for more than 30 years, afforded Western support in transforming post-socialist economies? Why has nobody explored, established and affirmed the IMF expertise in these matters? Why is IMF allowed to reduce the sovereignty of newly "free" nations to mere rubber-stamping of so called "reforms"?
- Why are the neo-communist schemes of rapid selling of the national property at public auctions or for state-issued "coupons" tolerated and even supported by the West? There are already more than 450 private funds, with the Harvard fund claiming more than 47% of the coupons, operating in Czechoslovakia. Yet, this country has no laws against public deceptions, speculation, corruption, separation of power and conflict of interest. Why do we support this large-scale enrichment of the neo-communists at the expense of ordinary citizens? The State has allowed and supported publicly televised promises of 10-15 fold returns on investment in one year, i.e., 900-1500%. Why are we supporting such image of free market and democracy? Is there no decency left in us?
- Why does the West condone and approve of governments based on nepotism, family, clan and "buddy" relationship? There are whole families running major ministries in Czechoslovakia, ministers and public officials habitually participate in "private" investment and privatization funds, no conflict of interest clause is even on the books. Are we unable to transfer any useful and meaningful democratic or free-market experience to these tortured countries? Is "Wild West" and "Gold Rush" all that we can and will offer and support? Why?
- Why it should be in our interest to transform Central European countries into underdeveloped third-world states, full of instabilities, coups and longings for fascism and communism? Why do we support aggressive sellout of national property to foreign speculators? Why do we tolerate 80% of German "investment" dominance in this region? Why do we not support employee ownership and self-management, but rather even further enhance their 40 to 70 years long hireling status? Is it really in the U.S. interest to face impoverished countries in Central and Eastern Europe and thus support return to communism or fascism?
- Why do we insist that in order for things to get better, they must get much worse? Where is that fabled theory in economics which would assert that a road to prosperity leads through extreme poverty? Why is it that in order to jump out from muddy waters we recommend to go down and hit the bottom? There is nothing than mud at the bottom and we can only get stuck there. The U.S.A. so sensitive and aware of the current pain at home, should not be so crass, arrogant and insensitive about the real pain in Central Europe and Russia.
- Why does the West pay more attention to individuals (all ex-communists or communist collaborators) who come and go, and not to people and their pain, striving and dreams? Why is one arrogant ex-communist more important than million of plain, hard-working citizens? Why do we always bet on a single person, but not on a party, set of ideas or citizens' initiatives? Why don't we ever learn about the true U.S. role in the world: people and people again. What is it we have about all these Gorbachevs, Yeltsins and Havels, about things which cannot, will not and would not last? Why do we have to always support the losers? Why

WHY?

Why Us, the People?

Why is it, that in transforming their economics and political systems, it is the people, workers, employees, young and retired, who have to pay the supreme price, while the communist aparatchiks and nomenklatura are getting richer, more powerful and more arrogant? Why is the West supporting reforms initiated by communists, carried out by communists and exploited by communists?

All over Central Europe and the Commonwealth, the West is witnessing strange and inexplicable phenomena: state monopolies are allowed to raise prices of food, clothing and other basic needs — administratively and by several hundred percent on average (ranging from 260 percent to 1,000 percent) — virtually overnight. These steps are arrogantly referred to as "price reforms" or "price liberalization", while they are neither: such free "prices" are not established by supply and demand, they have nothing to do with free markets, they do not express any economic phenomena and they certainly won't produce more goods. They are, simply and plainly, unregulated state-monopolistic prices: loved by neo-communist aparatchiks, supported by IMF and hated by the people.

The state monopolies, run by ex-communists and foreign speculative money, are now free: they can limit their supply freely, without governmental control over their prices. The results are everywhere to be seen and felt: production is being sharply reduced, capacities are sold out or destroyed, cattle herds slaughtered, workers laid off by the thousands, quality and variety of goods sharply reduced, stores and outlets closed down.

Combined with fixed, governmentally enforced and IMF-peddled low salaries and wages, people are buying less and less. Monopolies correspondingly produce less, cut down on their costs (destroying capacities and firing employees) and raise prices some more. People then buy even less, monopolies produce less and raise prices some more. And so it goes. Nowhere any trace of any market, any competition, anything logical, meaningful or rational. Instead of free markets, free third-world bazaars are flourishing in once proud and cultural countries.

The State, which confiscated everything without compensation, now "sells" this stolen property in public auctions for cash to so called "entrepreneurs". These are simply holdover millionaires of the communist nomenklatura, backed by foreign speculative or monopolistic capital. The proceeds from these "sales" are siphoned away from the entrepreneurial sphere into State funds. There is no capital left in the business sphere. Loans and credits are virtually impossible to obtain. State is increasingly restrictive. Most businesses cannot pay their debts and even current wages: the tsunami wave of bankruptcies is just around the corner. Who is responsible?

Even in the "Grand privatization", the proceeds from selling the shares of the enterprise do not stay in the enterprise, but are being sucked away by the State into its emergency reserves. Not a single country has completed — as required by logic — demonopolization and privatization before "liberalizing" the prices. Not even extraterrestrial intelligence would be capable of explaining such behavior. Price most "liberalized" — everywhere — include basic foods, bread, milk, eggs, flour, meat, etc. Who would have thought that such is the policy towards free markets: destruction of food-producing capacities, shortages, malnutrition, virtual starvation.

The average life span in Czechoslovakia is 68.1 for men and 75.4 for women, that is 40th place in the world, behind Cuba, Singapore, Macao, Chile and Panama. Why? Why us, the people?

not the people, for a change?

- Why, instead of the useless and wasteful government-to-government financial loans, stabilization funds and speculative money, why don't we in the U.S. provide something more substantial, something long-term and something worthy of our ideals? Why don't we form modern Business Corps, in the best tradition of Peace Corps, and provide human capital: knowledge, experience, compassion and long-term involvement? So much business and management talent is currently unemployed in the U.S.A. To Central Europe and Russia we send canned soup, GI rations and IMF money to be wasted on the ex-communist bureaucrats and nomenklatura speculators.

- Why can't we comprehend that in order to teach and be example to others, we have to become worthy and exemplary to ourselves? We should not export speculation, corruption, crime, moral ambiguity and economic arrogance, we should not built "New World Order" on the fundamental disorder and loss of purpose at home. We should export America again, the best products, the best thinking, the best democracy, the best people, the best culture — the best. How simple. How hard?

Please answer the above questions. At least some of them?