

Crown relief



The Czech National Bank put its money where its mouth is yesterday and lowered interest rates by a quarter-point, to 3.5%, despite the continued risk of 7% inflation. If PM Mirek Topolánek hadn't declared that the strong crown poses no risk to the economy, the CNB might not have had to carry the full burden of intervention on its own shoulders. For years, politicians and analysts have been trying to edge the country away from a manufacturing-based economy toward a service and value-added economy, and a crown at today's level is indeed a step toward ridding the landscape of its smokestacks. Yet a crown at today's level also highlights the unreadiness of the service industry (at least in some segments) to compete in the cutthroat global environment. Like the dog in the [Aesop fable](#), the CR risks losing what it has as it grasps at the illusion of something better. That is, unless politicians take a cue from the CNB and start recognizing the mounting risks that exist.

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