Czechoslovakia says no to IMF economics

by Our Special Correspondent

"If a market economy were to start immediately, economic agony would result," stated Czechoslovak Deputy Prime Minister Valtr Komarek, who is in charge of overall economic policy in Prague. Addressing an international business conference there on Feb. 15, Komarek warned that at least one-third of the country's production would be destroyed and there would be economic chaos if such a "market economy" were introduced. Komarek's words reflect a bold decision to reject *both* the Karl Marx *and* the Adam Smith schools of economic mismanagement; "freeing the market is important, but is not an end in itself, it must serve the broader goal of increasing national prosperity," he said. The mere "unleashing of market forces," which would mean the privatization of state enterprises—essentially the whole economy—freeing of prices, and the end of subsidies, would wreak havoc on an economy which must be rebuilt.

This is why the minister strongly declined "basing economic policy on textbook Friedmanite economic doctrine," contrary to his Polish colleagues, whose implementation of the International Monetary Fund's Friedmanite recipe is unleashing unheard-of unemployment levels (up to 4 million) and galloping inflation. "We shall not be trying for an economic earthquake and seeing if we survive," Komarek added, "we should continue in a civilized manner. Development should take the form of a well prepared process which we can influence." His strong words can be likened to a motto authored by Tomas Masaryk, President of the First Republic between the wars: "transformation is not change, it is self-perfection."

The new leadership in Prague is thinking in terms of building infrastructure—railways, roads, energy, telecommunications—and has no time for Western visitors who propose to erect casinos, hotels, resorts, and labor-intensive sweat-shops that would use the low level of local wages and the Czechoslovak currency to pile up huge repatriable profits which would not help the productivity and well-being of the nation. Such projects would require the country to incur large initial indebtedness, and enslave itself to Western banks. The "social cost" would be immense, since, as Foreign Trade Minister Andrej Barcak said, "nobody is going to say to people: 'first you have to work harder and then you will get poorer,' " which is what the Poles and Hungarians hear from Western business and government circles.

No IMF shock therapy

More details were given by Prime Minister Marian Calfa on the same day in a talk to the new trade-union organization. Calfa emphasized that the Czechoslovak government would follow a "gradualist" road, rather than the "shock-therapy" favored by Finance Minister Vaclav Klaus. Klaus's budget would allegedly shift a 5 billion crowns deficit to a 5 billion surplus by liquidating subsidies. Many uselessly subsidized bureaucratic entities would be unlamented, most tied to the Communist Party bureaucracy, but many useful ones would fall victim as well. The Civic Forum had complained to President Havel that Klaus's reforms would lead to large-scale factory closures. In the policy fight that ensued, and delayed announcement of the reforms, the "gradualists" won out.

Calfa did announce that reforms will take place; but they will be gradual. Czechoslovakia will *not* raise its foreign debt, it will have a balanced budget, it will abolish state monopolies, and subsidies will gradually disappear; companies will have to fend for themselves. New laws will enable the establishment of joint-stock companies and private firms. But Calfa warned against "get-rich-quick" companies and profiteering. Free of communist rule, Czechoslovakia is not about to bow to free market fetishes which have devastated the Third World. "We have the living example of the abominations inflicted by the IMF upon Poland and Hungary in front of our eyes as a warning," a senior government official said, "and the desert they've made out of the Third World. Thank you, it's not for us."

Similarly, Havel did not go to the United States to ask for money, or loans, or credits. He told the U.S. Congress, "to put it metaphorically, the millions you give to the East today will soon return to you in the form of billions in savings," indicating that cooperation amongst equals is the issue, not foreign aid to a "poor relative."

But the U.S. government, which has gambled its all on Gorbachov's survival, is doing little to help. The Jackson-Vanik Amendment, which canceled most-favored nation status for Comecon members, will be lifted, the Export-Import Bank will back U.S. company operations, and, a poisonous gift—Washington will "help" Czechoslovakia re-join the IMF and the World Bank. When U.S. Secretary of State James Baker met President Havel in February in Prague, "the meeting did not end very cordially." When Havel quoted Abraham Lincoln in his speech to Congress, he knew he was not pleasing Bush.

The motto of the Prague government's economic and general policy is: "Return to Europe." The national tradition, which built a highly successful economy before World War II, included social protection for workers, high wages, and emphasis on high technology—as demonstrated by the genius industrialist Bata, the pioneering shoemaker, whose solutions to the depression of the early 1920s makes him a great figure in industrial capitalism—precisely the school of Friedrich List rejected by Smith and Marx alike.