

## **EIR Feature**

# **The case builds against the IMF in Europe**

by Nora Hamerman

On the weekend of March 7 and 8, congressmen and spokesmen of various parties from Poland, Ukraine, Hungary, Germany, Italy, France, and other countries met in Kiedrich, Germany for a seminar to address the need to transform “into an economically secure future for the people,” the freedom which has been gained in “the breathtaking upheavals in the past three years, the breakdown of the communist system in eastern Europe and the disintegration of the Soviet Union.”

The group, which calls itself “New Europe Working Group—Peace Means Development,” will be headquartered in Budapest. Dr. Tibor Kovats was named Speaker for 1992. The group announced three goals: 1) Great infrastructure projects—to immediately take up transportation (high-speed trains, the magnetically levitated train), waterways, communications networks, and energy supply to create new jobs; 2) to make available the necessary financing through productive state credit creation; and 3) to remove the obstacles to development resulting from IMF conditionalities, through the sovereign decisions of elected governments.

The urgency of this effort was underlined by the spiraling economic breakdown of central and eastern Europe, where the new governments have jumped out of the communist frying pan into the fire of International Monetary Fund loan conditionalities and the “shock therapy” applied by pro-IMF advisers.

In an interview with the London *Times* on March 17, President Lech Walesa admitted that Poland’s leaders are split between those who want to push hard with a Thatcher-style plan for a full-fledged market, and those who want a “Christian social market economy,” with protection for domestic manufacturers and farmers. Prime Minister Jan Olszewski belongs to the second faction. The first group is favored by the IMF and would require a form of benign authoritarian leadership. What Poland wants the least is “all sorts of trash flowing into our country from the West. We want to produce things ourselves. If the West understands this as discarding market reform, then they are right,” Walesa said. The IMF “has got it wrong,” he added: “The program suggested by the West does not meet the Polish



*Shoppers lined up for food in Poland in 1989, before the IMF stabilization measures. Today the lines, and the economy of shortages are gone—but at the cost of a deep recession from which there is no recovery (article, p. 26).*

solutions and needs: It's simply incorrect."

Yet on March 17, Polish Finance Minister Andrzej Olechowski announced at a press conference in Washington that he had come to make sure that the budget the Polish government will send to the Sejm (parliament) would not clash with the IMF agreements, and that the measures in the budget dependent on IMF-World Bank funding would get that funding. Olechowski, who met with IMF Managing Director Michel Camdessus and U.S. State Department officials, said that agreements had been reached with the IMF. An IMF mission will go to Warsaw to monitor the situation and to set up an extended fund facility.

When the epitaph is written on the IMF-dictated shock therapy imposed on Russia by Deputy Prime Minister Yegor Gaidar, it may well quote the proverb: "Sow the wind and reap the whirlwind." Two main institutional poles of resistance are leading the backlash against austerity: organized labor, led by non-communist, independent trade unions, and an angry officer corps and professional enlisted cadre of the Armed Forces.

The real opposition does not include the band of elderly communists, who from February to early March clamored for a "return of the Soviet Union." This pathetic movement reached its end on the very day when it meant to score a comeback, March 17. It had called a mass rally in Moscow and the "convening of a Sixth U.S.S.R. Congress of People's Deputies." The masses never showed, and the forlorn collection of several thousand diehards, unable to find a hall for their "Congress" in Moscow, proceeded to a state farm out-

side the capital, where the villagers greeted them with epithets, and turned off the hall's electricity.

The government barely evaded a showdown with industrial labor through the last-minute postponement of a general strike, set to begin March 11, by the entire industrial plant and public sector work force in Russia's Kemerovo region of western Siberia. The region includes the famed Kuzbass coal fields, the scene of the great miners strikes of 1989 and 1991 which hastened the demise of bolshevism. The general strike of 1 million workers would have been the first region-wide "indefinite," as opposed to a mere warning, strike in Russia since 1917.

Russia's military is furious at the mass demobilization of officers and soldiers by the Gaidar budget cuts, throwing them into a civilian life without jobs or housing. The lifting of price controls has wrecked their living standards. According to February statistics released by the Armed Forces, 200,000 soldiers and their families are living in makeshift temporary facilities. Unrest in the officer corps was at the top of Russian President Boris Yeltsin's agenda during his March two-week working vacation at Sochi on the Black Sea. His first act upon returning to Moscow March 16, was to issue a decree forming a Russian Defense Ministry, appointing himself as Russia's defense minister, as the prelude to formally creating a national Russian Armed Forces.

Below, we present two critiques of the IMF's method. The first provides a devastating post-mortem on the IMF's diagnosis and remedies in Poland. The second, a broader overview, was presented to the working group's seminar.