Editorial

It's the IMF that's to blame

U.S. State Department spokesman Jamie Rubin, queried at a press conference on May 15 about the crisis in Indonesia, stated baldly that "the IMF program is not the source of Indonesia's troubles."

We beg to differ. The record shows that whenever the International Monetary Fund comes in with a "rescue package" for a nation, that nation is chewed up by the global financial oligarchy, then spit out—whatever is left of it. That is why, a little over one year ago, Lyndon LaRouche issued a call for "a war of annihilation against the IMF."

Look at a few examples of IMF "success stories."

Mexico: In January 1995, following a near-blowout of the international monetary system when Mexico's peso fell through the floor, a $50 billion "rescue package" was put together, including some $17 from the IMF.

Conditionalities: The IMF imposed: wage reductions, government spending cuts, interest rate hikes; privatization of the state-owned oil company Pemex, as well as ports, airports, telecommunications, and other companies.

What happened: As of February 1997, twenty-two percent of per-capita production of consumer goods and 29% of production of producer goods were wiped out. Real unemployment doubled, to nearly 50% of the labor force. Manufacturing workers were reduced from 10% to 5% of the total labor force. In August 1997, the government claimed 7% growth in first half of the year, but close inspection revealed the statistic to be a fraud. What growth there was, *EIR* showed, was largely due to exports, rather than to any growth in the domestic market.

Russia: For six years, Russia's status as a great power has been stripped away by IMF "reforms." In February 1998, after long negotiations, the IMF agreed to continue its $10 billion Extended Fund Facility for Russia; $700 million will be doled out per quarter, until the year 2000, provided Russia adheres to IMF conditionalities.

Conditionalities: firing of 10-15% of public sector employees; draconian budget cuts and privatization of state-owned companies; harsh measures against companies delinquent in tax payments; decreasing import duties for goods having no Russian analogues; other secret agreements.

What happened: As of March 1998, mass layoffs of public employees; wage arrears to public employees stand at $9.6 billion; functions of the State Duma (Parliament) are essentially controlled by the IMF. In 1995, twenty percent of firms were operating at a loss; in 1996, forty percent were. The black market is pervasive; life expectancy has plummetted and the health of the population has deteriorated sharply.

Poland: Poland is such an IMF "success story," that it no longer receives any money from the Fund. But in fact, it has never recovered from the shock therapy of 1990, when in just one month, industrial production fell by 31%, trade by over 50%, real wages by 30%, and prices increased by 80%. As a result of the deteriorating standard of living during the last eight years, the birth rate collapsed to 1.6 per woman in 1997, the lowest since World War II. More than 50% of families live in poverty.

Thailand: In August 1997, following a massive assault on the baht, the IMF concluded a $25 billion "stabilization" deal with Thailand, the biggest since the 1995 Mexico bailout.

Conditionalities: $3 billion in budget cuts; 3% increase in the Value Added Tax; establishment of derivatives markets; foreign banks to be allowed to own an even higher percentage of Thai firms than the previous limit of 25%; privatization of more state enterprises; freeze on wages.

What happened: As of May 1998, the IMF money is going almost entirely to pay derivatives losses to foreign speculators. Interest rates are over 20%; liquidity in the economy has dried up, with warnings that 50% of all firms will be bankrupt soon if that is not corrected; the baht is further weakened; nearly all infrastructure development programs are halted; state-sector industries and banks are being privatized.

Commented Malaysian Prime Minister Dr. Mahathir bin Mohamad: "The baht is still sliding and the Thai economy is still in bad shape after borrowing $21 billion from the IMF. So, why do you borrow from the IMF, if it is not going to help at all?"

We think he has a point.