Worldwide revolt grows against IMF austerity

by Linda de Hoyos

Lyndon LaRouche, the American statesman and economist, completed on June 24 a five-day visit to Kiev, Ukraine, where he addressed members of the Ukrainian Parliament and other policymakers on economic policy. The visit, which included his wife, Helga Zepp-LaRouche, and a delegation of the Schiller Institute, took place just at the point that leaders in Ukraine are becoming completely disillusioned with the so-called "reform" policies of the International Monetary Fund (IMF), which have been imposed on Ukraine since 1990.

In his speeches before a seminar of parliamentarians and elsewhere, LaRouche stressed the inevitability of the collapse of the present global financial and monetary system, and emphasized that apart from the effects of the looting policies carried out against eastern Europe by former British Prime Minister Margaret Thatcher and former U.S. President George Bush, which were intended to plunge the Comecon countries as quickly as possible into developing-country conditions, Ukraine was experiencing a reflection of the same economic breakdown that is occurring in every part of the world economy, and that there is no successful economy in any part of the world.

A look at the political and economic crises facing leaders in countries throughout the world confirms LaRouche's assessment. From Russia to Buenos Aires, from Pakistan to Nigeria, there is a growing realization on the part of leaders that the internal economic crisis experienced by their countries is not the fault of the country itself, as the international banking donors and IMF insist, but is, first, a product of a worldwide economic breakdown, and second, of the structural adjustment programs (SAP) of the IMF, which only worsen the condition of the domestic economy and bring more suffering to their populations.

Ukraine: looking for an alternative

LaRouche was invited to Kiev by Natalya Vitrenko, a prominent member of the economic commission of the Ukrainian Parliament, and was welcomed by the president of the Parliament, Oleksandr Moroz. Ukraine is at a turning point, LaRouche's hosts told him—a point of disillusionment with the policies of the IMF and seeking an alternative. Since the imposed privatizations were forced on the country three years ago, Ukraine has lost 50% of its industrial capacity and 30% of its agricultural output—a staggering collapse. IMF policies, which favored speculation rather than production, also resulted in a brain-drain, similar to that which has occurred in Russia. Ukraine's scientists have either fled the country or are forced to work at jobs far below their qualifications. Scientific endeavor is virtually shut down. As for the general population, poverty is now at levels that are "almost unbearable." Housing has been constricted, with families of three generations living in less than 25 square meters.

Hence, policymakers are deeply concerned over the prospect that any further privatizations of economic capacity will not only mean that Ukraine has lost its national sovereignty, but any continuation of such policies will plunge the population into Third World levels of poverty. Furthermore, Ukrainian policymakers fear that the threatened privatization of the energy sector in Russia, and its likely political consequences, will pose a threat to Ukraine's national security.

During his five days in Kiev, LaRouche, who has uniquely forecast the current collapse, addressed a seminar composed of a group of deputies of different parties, professors, and media; gave lectures at several universities, think-tanks, and economic institutes, and gave a speech at the Institute of Productive Forces, which had been created by the great Ukrainian scientist V.I. Vernadsky in 1919.

The shrinking of the physical economy, LaRouche emphasized, is taking place in every country around the globe. In the United States, average consumption of physical goods and the income of the labor force is today half of what it was 25 years ago (see *Feature*). At the same time, and spiralling out of control since 1987, there has been a vast expansion in financial aggregates per capita and the growth curve of these aggregates has now reached a hyperbolic character. In contrast to IMF policies, LaRouche posed the concept of his 1990 program for a European Productive Triangle and extending landbridge for Eurasia, which would drastically upgrade infrastructure throughout central and eastern Europe, as the only kind of program which can bootstrap the former Comecon economies out of their current collapse.

As in Kiev, political leaders are now beginning to openly question the efficacy of IMF policies, which heretofore had been imposed on their governments without protest. According to reliable sources, the failure of the IMF's structural adjustment programs and the necessity for an alternative was to be a major topic of discussion at the heads-of-state summit of the Organization of African Unity to take place on June 26. The summit was canceled after the assassination attempt against Egyptian President Hosni Mubarak.

The failure of the IMF to meet any promises for easing the economic crisis of countries is a point of debate in many African countries. In Nigeria, the government of Gen. Sani Abacha came in with a program that drew the line against the IMF and imposed exchange controls. Now an open fight has emerged among the policymakers around on debt payments: If Nigeria continues to pay its foreign debt—most of which is accumulated interest—then domestic investment will remain starved and the physical economy will continue its collapse (see article, p. 14). On June 10, in Nairobi, Kenyan President Daniel Arap Moi told a rally of his ruling Kanu party that "henceforth the government will not swallow wholesale all conditions of the structural adjustment programs that are detrimental to the welfare of the common *mwananchi* [citizen]," reported the *Daily Nation*. Donors have called an extraordinary meeting for the end of July to discuss continuation of funds to Kenya.

In Ghana, a country put forward as an "IMF showcase" in West Africa, the government was forced to do an about-face on an IMF-demanded value-added tax, whose imposition had raised the price on some necessities by 300%. The tax led to a wave of demonstrations in Accra, with 50,000 people marching through the capital in mid-May, the largest demonstration since independence. On June 9, Finance Minister Kwesi Botchwey told Parliament that the government was suspending the tax, since "matters have reached a point where it is becoming increasingly difficult to enforce the VAT law because staff from the VAT secretariat are met with hostility wherever they go."

IMF policy is also rapidly becoming the major issue of debate in South Africa. On June 19, the Congress of South African Trade Unions (Cosatu), the union umbrella which functioned as a major base of support for the African National Congress, brought out nearly 500,000 workers in a strike action against the government's policies of privatization. "Public assets are not the private property of a particular party or government," Cosatu President John Gomono wrote in calling for the strike, "but a heritage of the whole society. They should be protected from unilateral action taken by ruling parties." Attacking the onset of "Thatcher monetarism" in South Africa, Gomono said current economic policies would lead to the lifting of trade barriers and establishment of cheap labor export processing zones. "Apart from the social problem created by privatization, it also has a poor record of creating jobs."

Getting off the Titanic?

In Asian countries, where debate on IMF policies has previously been muted, leaders are beginning to draw a line against the Fund and its merciless constriction of the economy. In a surprise move, Pakistani Prime Minister Benazir Bhutto on June 15 publicly defied the IMF, whose policies Pakistan has dutifully followed since the 1970s, when Mahbubul Haq, current director of the United Nations Development Program, was Pakistan's finance minister and pressed Pakistan into the IMF mold. Bhutto reported to the press that her government had debated whether to go for a tough budget—as demanded by the IMF—or ease the burden on the ordinary citizen. "It was decided that this year is a year to breathe." Bhutto's economic adviser V.A. Jafarey explained that "inflation would have gone up to 30% [from 13%] if we had implemented IMF conditionalities." Bhutto indicated, according to Islamabad's *The News*, that there would be no further currency devaluation and that funds for defense had been allocated to meet the country's security needs—also a slap in the face to IMF demands.

In Manila, on June 22, a central bank official told a visiting IMF surveillance team that the Philippines would withdraw from the IMF program if the Fund insisted on "unattainable targets." The Philippines wants the IMF to ease its monetary restrictions, and has stated that even if it goes along with current IMF demands, this round of conditionalities is its "exit program" from the IMF.

And even in New Delhi, where IMF-dictated "reform" policies were met by some excitement over the last few years, the truth is beginning to come out. Poverty in India has been growing steadily at an annual rate of 1-2% since the 1990s, and now exceeds 40.1% of the population, economist Amitava Mukherjee reported to a seminar on June 27. Citing a Planning Commission study soon to be published, Mukherjee said that reform policies had widened the inequities. While overall poverty figures had steadily declined since the 1970s and gone as low as 34.1% in the late 1980s, the 1990s and the start of liberalization policies had reversed this trend, with poverty now close to the level of 44%.