

attempts to introduce this model for UES were blocked repeatedly, “breakup” of the natural monopolies being a red flag for the left opposition in the Russian parliament. Like the other natural monopolies, UES has sold shares to Russian and foreign investors, but it is still 53% state-owned.

Chubais’s Latest Proposal

In the latest edition of UES restructuring, Chubais submitted for government deliberation a plan to create ten to fifteen regional utilities, which would attract foreign investment as they were privatized. The transmission grid would remain mostly in state hands.

This draft was amended by Putin and his advisers on Dec. 12, at a meeting without Chubais present. A fracas ensued on Dec. 15, when the government met and approved the plan, but Prime Minister Mikhail Kasyanov accidentally — so he said — submitted the unamended version. Outside of these meetings, fellow monetarist and former Finance Minister Boris Fyodorov circulated a blistering attack on Chubais for preparing to sell off assets of the new companies, to the detriment of existing shareholders. “Mr. Putin will not persuade foreign investors that he is serious about protecting their interests!” editorialized the London *Financial Times*.

A farce was taking shape: shareholder values versus insider pocketing of proceeds.

Andrei Illarionov is yet another monetarist, who had attacked the Chubais scheme in terms similar to Fyodorov’s. But, he also plays a special, sometimes ambiguous role as nominally an adviser to Putin on economic policy. Thus, his denunciation of Chubais at the Dec. 15 cabinet session, where Illarionov charged that Chubais intended not really to attract investment, but to profit from the new privatization, signalled trouble for the UES plan. “The President does not appreciate this structural reform,” intoned Illarionov.

On Dec. 22, the government newspaper *Rossiyskaya Gazeta* analyzed the events around UES. After summarizing Illarionov’s argument, the article went further, to ask, “Is it even possible to take Brazil or Britain — countries with totally different climates and distances — as models?” The President, wrote *Rossiyskaya Gazeta*, was likely to turn the whole matter over to the State Council (the new body, at the Nov. 22 inaugural session of which, Khabarovsk Governor Viktor Ishayev delivered an outline of dirigist measures for economic recovery).

And so Putin did. At the Dec. 26 session of the State Council, Governor Viktor Kress of Tomsk was named to head a new commission on the reform of the energy sector. It is to submit its recommendations by March 1, a deadline Kress says will likely be postponed. Kress, an ally of Ishayev, was one of the Siberian governors who met with Putin at Novosibirsk in November, and told him that the surviving capabilities of Russia’s defense industry should be used to jump-start the economy as a whole — regardless of what happens with foreign investment.

Will Czech Republic Oust Free Marketeers?

by Alexander Hartmann

Some people may have thought, that the political and social situation in the “reformed” countries of Eastern Europe was stable. Although the original reformers, who replaced the Communist governments a decade ago, were voted out of office in most countries, and replaced by the same forces they had deposed in the first place, these “post-Communists” have apparently been “tamed” by the international community — or by their own corruption — and have all turned into their opposites. Hoping to gain access to membership in NATO or the European Union, they have adopted the same policies of free trade and globalization, that had been introduced by the erstwhile reformers.

But, the appearance of stability was misleading. This became most visible in the Czech Republic, when on Jan. 3, 100,000 citizens assembled on Prague’s famous Wenceslas Square, for the biggest rally since the 1989 “velvet revolution” which ended Communist rule, to protest against the decision by the Czech Television Council (CTC) to appoint a new director for the public TV station Ceske Televis (CT).

Power Politics

In December, the unofficial “grand coalition” of Prime Minister Milos Zeman’s Social Democrats and the Civic Union of arch-monetarist former Prime Minister Vaclav Klaus — which is tolerating Zeman’s minority government — used their controlling majority in the CTC to install Jiri Hodac as CT director. Hodac, in turn, fired the CT news director, and appointed Dana Bobosikova in his place.

Both Hodac and Bobosikova are close to Klaus’s ODS party: Hodac had applied for the job as the ODS spokesman, while Bobosikova worked for a while as a personal consultant to Klaus, who was the architect of the free-market economic reforms in the Czech Republic, and is an ardent supporter of the monetarist Mont Pelerin Society. His policies were an unmitigated disaster.

Although Klaus’s ODS lost the parliamentary elections two years ago, the minority government of the Social Democrats continued his policies. In order to avoid any policy changes, the two parties started wheeling and dealing to occupy as many positions of power as possible, including control over the Czech National Bank. They even changed the election laws to make life difficult for other parties, proving what kind of a “liberal” Klaus is.



Former Czech Prime Minister Vaclav Klaus, darling of the Mont Pelerin Society. His political faction is facing a popular insurrection.

A Spark Creates a Fire

But, this move to take control of the public media, has proven to be the “straw that broke the camel’s back.” A group of journalists working at CT declared that Hodac’s appointment was a flagrant attempt to quiet the voices of opposition, and occupied the newsroom, both to protest against the political interference, and to prevent Hodac from taking control of the station. In response, Hodac and Bobosikova fired the rebelling journalists and blocked the terrestrial transmitters, to prevent the “rebels’ ” broadcasts from being aired; nevertheless, these could be received via cable and satellite. Hodac and Bobosikova started to produce their own program, which was broadcast by means of the terrestrial transmitters.

Klaus and Hodac had miscalculated. The whole affair ignited a reaction among the Czech population, that goes far beyond mere protests against Hodac’s appointment as such, and can only be explained as a manifestation of long-standing disgust at the representatives of the political system. Citizens feel betrayed by the Social Democrats, who campaigned against Klaus’s policies in the elections two years ago, only to join forces with him to continue his neo-liberal policies, after the elections. After 11 years of propaganda about the paradise which “capitalism” (i.e., Klaus’s policies) would create, people realize that this has been a lie all along, as they got poverty and organized crime instead.

That is why 100,000 citizens protested with banners and speeches against what they call “*Demokratura*” and called for an “end to the totalitarian system.” Similar rallies, though smaller, were held in Brno and Ostrava. At the rally, the strik-

ing journalists were supported by trade unionists, clergy, artists, and civic organizations.

Now, the governing Social Democrats are attempting to exercise damage control, and are distancing themselves from Hodac. On Jan. 12, a new law will be voted up on the “fast track,” to immediately fire the CTC members, and to change the mechanism according to which the new CTC members will be appointed; these, in turn, will then appoint a replacement for Hodac, who had stopped producing his own program, and resigned a day later. Faced with the overwhelming disgust of the population, the reformers are beating a retreat, while the population has learned once again, that they are citizens, and not subjects.

Labor Protests in Other Countries

The Czech Republic is not the only country where support for the “reformers” is waning. In Poland, a nurses’ strike has been ongoing for nearly six weeks. Hundreds of nurses spent Christmas occupying the Health Ministry, with presents and food supplied by supporters and patients. Both in Poland and in the Czech Republic, the strikes are supported by about 90% of the population.

In many other Eastern European countries, there have been strikes, too, in recent weeks:

- In Poland, in addition to the nurses’ strike, there have been strikes by mine workers, and in early December, fishermen blocked Poland’s ports in a two-hour action which involved 90% of Poland’s fishing fleet, with about 1,200 vessels.

- In Macedonia, court workers went on strike on Dec. 11, paralyzing the country’s justice system.

- In Greece, the General Confederation of Workers of Greece and the ADEDY union, which represents public employees, staged a strike against labor reforms being discussed in Parliament. This hit air, rail, road, and ship transport, and other public facilities, paralyzing the whole country.

- In Belarus, some 168,000 teachers signed a petition demanding that their wages be increased to the average level of industrial jobs. The head of the Trade Union of Education and Science Workers did not rule out a strike, but the union is too poor to support striking members financially.

- In Hungary, where the trade unions are quite weak, health workers announced a series of demonstrations, including a warning strike, because the budget submitted by the government did not allow for pay raises for health workers. On Dec. 9, ten thousand health workers took to the streets in Budapest,

- On Dec. 8, thousands of public-sector workers participated in a one-day warning strike, at various places in Croatia.

Thus, at a time when the myth of the “New Economy” in Western countries is making a hard landing, the political situation in Eastern Europe is just as ripe for sudden changes as it was 11 years ago, when the Communist regimes collapsed.