Ukraine Parliament rejects IMF privatization program

by Anthony K. Wikrent

On April 12, the Parliament of Ukraine rejected the privatization program mandated by the International Monetary Fund, a central element of the "reform" package demanded by the IMF, after weighing the arguments of minions of the international financial oligarchy on the one hand, and representatives of the Schiller Institute on the other.

Over the weekend of April 8-9, Schiller Institute representatives Dennis Small and Karl-Michael Vitt spoke at a three-day conference sponsored by the U.S. State Department's Agency for International Development and the University of Indiana, attended by 50 to 60 Ukrainian parliamentarians. Though it had been arranged beforehand that Small (the director of Ibero-American intelligence for *EIR*) and Vitt would speak, the conference coordinator, a former legislative liaison of the U.S. Department of Justice during the Bush administration, resorted to a series of tactics in an attempt to prevent the presentation. On Saturday afternoon, when Small made it to the rostrum, the Americans walked out.

The secret to success

A great pity, for stubbornly stupid Americans are in dire need of learning the simple facts of economics, and Small provided an ample supply of them. Small began by referring to the presentations of the speakers preceding him. "There are those who maintain that the neo-liberal economic policies of the International Monetary Fund are just what the doctor ordered for the economy of Ukraine and other nations emerging from under the yoke of communism. There are those who will argue that the so-called 'success stories' of Ibero-America prove that the policies of the IMF in fact work. There are even some who are trying to sell the smelly corpse of the 'Mexican economic miracle' to the credulous."

But, Small told the assembled parliamentarians, "there is in fact not a single case in recorded history of successful economic development premised on IMF and neo-liberal economic policies." Moreover, he said, "every known case in modern history of actually successful economic development has occurred as a result of the more or less conscious application of neither Adam Smith liberalism nor of Karl Marxism, but of a third school of economic thought—that of cameralism or mercantilism. Cameralism springs from the philosophy and economic science of Gottfried Wilhelm Leibniz, and is responsible for the successful 18th- and 19th-century U.S. industrial capitalism, of the Meiji Restoration of Japan, and the postwar German economic miracle. The modern exponent of this school is the founder of *EIR* magazine, U.S. economist and former political prisoner Lyndon LaRouche," whom the Bush administration railroaded into prison.

Small then provided a sane definition of economic success: "a society's increasing ability to produce market baskets of necessary consumer and producer goods, for a growing population, and to do so with progressively smaller proportions of society's total labor. This can only be achieved by continuous scientific and technological advance, by substantial investments in great infrastructure projects, and by organizing national credit and monetary policies to facilitate such real, tangible physical economic growth."

Mexico committed suicide

Small showed how Mexico had committed economic suicide by slavishly implementing International Monetary Fund policies, beginning in 1981. While imports were drastically curtailed—cutting off supplies of vitally needed capital goods, such as machine tools, from advanced countries—anything that did not move and was not nailed down was exported. This approach was mandated by the IMF in order to service the foreign debt, and reverse the trade deficit. But what actually happened, Small explained, was that Mexico's official foreign debt soared from a few billion dollars in 1980, to an expected $265 billion by the end of this year. At the same time, real economic activity was destroyed. Bean production in Mexico has dropped 37% per capita; milk, 22%; steel, 27%. Overall consumer goods dropped 20%, while production of producer goods fell 27%.

The Mexican disaster has been repeated everywhere in Ibero-America that the IMF's policies have been applied, Small warned. "Ibero-America's total foreign debt in 1980 was $257 billion. Over the course of the next 14 years, they paid $417 billion in interest payments alone. . . . And yet at the end of that period, they owed more than at the beginning: $547 billion. In other words, as you can see as clear as day, $257 minus $417 = $547. That's what is called 'bankers' arithmetic.'

"The irony," Small noted, "is that the IMF and its apologists frequently argue their case on the grounds that if you liberalize, money will come pouring in to your country. Open your economy, they say, so we can ship in capital. But the door that is opened is the door through which capital leaves the country, not arrives. There is in every case net capital exports. . . .

"In conclusion," Small said, "let me shock you with the fact that Ibero-American foreign debt is actually the slowest growing of any region of the world: It has been increasing at about 5.5% per year compared to a world average of 8%. The countries of Europe and Central Asia have a foreign debt which is among the fastest growing in the world, at 10.7% per year. This part of the world is also seeing bankers' arithmetic in action. The total debt of Europe and Central Asia was $97 billion in 1980; over the next 14 years, $192 billion in interest was paid, and at the end of this period $403 billion was owed. At this rate, and with International Monetary Fund policies, this region is rapidly being transformed into Third World nations by the IMF.

"The solution to this crisis lies in the opposite direction from neo-liberal reforms. Sovereign nations must take measures to protect their physical economies, and ally among themselves to have the political muscle to do this. And such nations must also act immediately to bring about a new world monetary system to replace the IMF, a system premised on the principles of mercantilist physical economy."

Reportedly, during the entire three-day conference, there were only two times that the audience applauded: when Small spoke, and when Karl-Michael Vitt, the other representative of the Schiller Institute, spoke.

The critical role of the Schiller Institute

Three days later, on April 11, Small and Vitt gave an hour presentation on the IMF, the world financial and monetary crises, and LaRouche's proposed solutions, in a room in the Parliament building, attended by some 40 people, including many parliamentarians. Following the presentation, 20 parliamentarians signed the open letter to President William Clinton demanding the exoneration of LaRouche (see article, p. 53). Just hours later, the Ukrainian Parliament voted to reject the IMF's privatization program. Some parliamentarians credited the presentations by the Schiller Institute as the critical element in mobilizing sufficient forces to reject the program.

The privatization program was a central demand of the International Monetary Fund for approving a $1.8 billion loan for Ukraine extended the week before. The very morning before the anti-privatization vote, Ukraine Economics Minister Roman Shpek, in London for a meeting of the European Bank for Reconstruction and Development, assured Reuters, an international news service that functions as a mouthpiece for British intelligence, that "privatization is pivotal to Ukraine's program of economic reform, and intrinsic to the government's economic program." Shpek pointed to the $1.8 billion IMF loan as proof that the issues of privatization and economic reform "had been discussed and resolved."

Thus, the legislative defeat of the privatization program stunned major Anglo-American financial media into silence. Reuters, the London *Financial Times,* and the *New York Times* had not reported the fact as of April 13. Only three sentences appeared in the April 12 *Wall Street Journal.*

The IMF's handiwork

Ukraine's rejection of IMF privatization is no surprise to *EIR*'s readers, however. Last week's issue contained the remarks of Natalia Vitrenko, doctor of economic science and chairman of a subcommittee of the Ukrainian Parliament's Commission on Economic Policy, at a conference of the Schiller Institute in Washington, D.C. on March 29. Vitrenko discussed how, at first, she and many other Ukrainian scientists had supported the IMF policies they were advised to adopt. "But now, after four years of these reforms," Vitrenko said, "we can see what a tragedy they have brought for Ukraine.

"We have a four- and fivefold decline in production in the fundamental categories of goods. . . . The standard of living has declined 15 or 20 times over. Ninety-two percent of the population of Ukraine lives below the poverty line, while the parasitical part of society has in its hands 60% of the national income. . . . Out of 23 million in the workforce, 7 million are unemployed. . . . In four years, the average life expectancy has fallen by six years. . . .

"This all can be attributed," Vitrenko concluded, "to the recommendations of the International Monetary Fund, since it is they who proposed to us, as the means of reform, to decontrol prices, to liberalize currency exchange, to deregulate foreign economic activity, and to have forced-march privatization."