

Czechoslovakia is on a 'Polish' course

by Angelika Raimondi

On Jan. 1 the first radical economic cure went into effect for Czechoslovakia, under the guidance of Finance Minister Vaclav Klaus and the International Monetary Fund. The measures will plunge this potentially great Central European industrial nation into chaos.

In order to continuously oversee the progress of the measures, since Jan. 1 a representative of the International Monetary Fund (IMF) has been installed at the central bank in Prague. Vaclav Klaus, a declared follower of Thatcherism and of the Chicago school of economics around Milton Friedman, will subject Czechoslovakia to the same rapacious austerity mechanism that Harvard economist Jeffrey Sachs has already carried out with his "Polish model." On Jan. 1 prices and foreign trade were greatly liberalized. Already during the very first days of the new year, prices rose by about 40-50%, while wages were either frozen or fixed at an annual raise of only 3-4%. The government set minimum and maximum prices for consumer goods. Naturally, the recently pri-

vatzed state factories are calculating the maximum prices, and in order to get their hands on hard currencies, will export increasing quantities of consumer goods which are urgently needed at home.

Currently, a retired person on a pension in Czechoslovakia gets an average of 1,300-1,600 korunas (crowns), while a worker's average income is about 2,500-3,300 crowns. That will not change, whereas the cost of living will shoot upward. At an exchange rate of about 40 crowns to a U.S. dollar, that amounts to an average income of \$60-80.

The legacy of over-centralization

If the former East Germany is having great difficulties in transforming itself into a modern industrial society, these problems are almost impossibly difficult in Czechoslovakia, and are for all intents and purposes insoluble if the country follows Klaus's IMF program. The degree of centralization and monopolization was nowhere greater throughout the former Comecon nations than here, and dependence on the Soviet "partner" was huge: Czechoslovakia received no less than 90% of its energy supplies and 50% of its raw materials from the U.S.S.R. During the first quarter of 1990, the Soviet Union delivered only one-third of the contracted amount of oil, and since then this amount has been reduced further still.

Czechoslovakia will also be hit especially hard by the crisis in the Persian Gulf, since Iraq had been one of its important trading partners, and Czechoslovakia has been looking toward oil imports from there in order to compensate

An economic threat to Czechoslovakia

From a guest contributor:

Amid a number of severe dangers, lingering above the fragile Czechoslovak economy, there is one of unique importance: the strike threat racket. The monopolist structure, very traditional in communist economies, has unfortunately combined with the effect of Comecon's bankruptcy to produce a result that may be highly devastating already in the first months of 1991.

With most of the business relations to former Comecon partners disrupted and given the very limited convertible currency resources, the Czechoslovak economy is much more isolated than ever before. At the same time, living standards are expected to fall and the personnel of many enterprises will be tempted to increase their salaries, and eventually to gain investment, subsidies, or other advantages through strikes. But strikes in a monop-

olized economy which is also forced to be self-sufficient, have quite a different meaning than in the West or even in Poland of the 1980s: There are hundreds of enterprises that could knock out the economy, and tens of those, that can do this within a few days.

The test of the government's resolution to stand up to the strike blackmail already took place in November 1990. The aluminum factory in the city of Ziar nad Hronom, monopoly supplier of aluminum products for the rest of the economy, stopped delivery until it got a government-guaranteed credit of 500 million Czechoslovak korunas—approximately \$20 million. The government faced the closing of hundreds of important firms, because import possibilities were virtually nil—both for technical and economic reasons. It yielded to the pressure and gave the guarantee for credit, which from a businessman's point of view made no sense.

Unless the government and the main political force—the rightist groups of Civic Forum—prepare well for the match, 1991 may easily be one of the worst years in the economic history of Czechoslovakia:

—*Dušan Mrňa, Prague*