

Revolt against 'shock therapy' gains in CIS

by Mark Burdman

The backlash against International Monetary Fund "shock therapy" austerity policies is growing throughout the "Slavic core" of the Community of Independent States, only days after the July 6-8 Group of Seven meeting in Munich had formalized the demand that IMF policies be followed religiously in the formerly communist countries of central and eastern Europe. The backlash is tangible in Russia, Ukraine, and Belarus, the three countries whose leaders signed the accord of Dec. 8, 1991, which formally ended the Soviet Union and created the new CIS.

Of the three, Belarus is most explicit in its rejection of the "shock therapy" approach. In an interview with the French daily *Le Monde* July 21, Belarus Prime Minister Vyacheslav Kebich stated that his policy is "to hurry slowly," and to allow enterprises to "reorient themselves" to the new circumstances, rather than shutting them down and creating massive unemployment. Stated Kebich: "We have, next to us, this horrible example of Poland, which has given in to shock therapy." He reported that he had received personal warnings during two recent private meetings "from the mouth of [Polish President] Lech Walesa, not to repeat [Poland's] errors" in Belarus.

Kebich said he supports measures of "protectionism," in order to protect the internal market. This, stressed *Le Monde*, is in violation of the "post-communist taboo" against this word.

Kebich had been in Paris on July 15-17, to attend a seminar sponsored by the Ministry of Finance and Economics on the "modernization of the public sector in a market economy." He welcomed French government support for his opposition to shock therapy, noting that the entire seminar "revolved around one, and only one, order of the day: 'don't rush.'" *Le Monde* quoted French Finance Minister Michel Sapin, advising, "one can not privatize precipitously. To succeed, these operations must be carefully prepared."

After his meetings in Paris, *Le Monde* noted, Kebich flew on to Germany, for a dinner with German Chancellor Helmut Kohl. A large German business delegation has recently been in Belarus.

A parallel process is going on in Ukraine. The IMF's man in the Ukrainian government, Vladimir Lanovoy was removed over the July 11-12 weekend, and replaced by an opponent of shock therapy policies.

'Abandon the liberal approach'

In Russia, it is generally anticipated that Boris Yeltsin will soon sacrifice his IMF-linked economic policy czar Yegor Gaidar, in order to save his own political skin. That has been forecast by Vladimir Tretyakov, editor-in-chief of the influential *Nezavisimaya Gazeta*, in an op-ed in France's *Le Figaro* daily July 23. Certain high-level sources in the West think it may already be too late for Yeltsin to do this, and that he himself will be out of power by October-November, a victim of the reaction against Gaidar's policies.

Meanwhile, Russian influentials are putting forward some historically derived alternatives to the IMF-Gaidar program. In a July 21 press conference in Moscow, former Moscow deputy mayor Sergei Stankevich positively recalled the policies of Pyotr Stolypin, the Russian reformer whose assassination in 1911 had set the seal on effective "dirigist" policies and had help set in motion the developments leading to the Bolshevik takeover of power later in that decade. Stolypin had, in particular, prioritized reforms in the agricultural sector.

Stankevich called on Russia to "abandon the liberal approach" in both foreign and domestic policies. He rejected what he called the "liberal dream," insisting that "a strong central power" would be needed to promote a policy of "active industrialism," defined as "capitalism with a very active oversight by the state." Stankevich further said that any solution must take into account the special historical circumstances of Russia, since what was now being rejected was exclusive dependence on imported "western" models. Russia must have a more Eurasian perspective, of balancing between East and West.

On July 17, a recently appointed economic adviser to the Yeltsin government, Yevgeny Yasin, had criticized the tradition of "Adam Smith's invisible hand" that Gaidar and his team have tried to bring into Russia. "In Russia, you have got to have a visible hand," Yasin proclaimed. "That is one of the peculiarities of the system. You cannot just dismantle the state sector and let everything be done by the market. It does not work here." This came in the context of an angry attack on Yegor Gaidar.

Advocates of the "shock therapy" model are frantically trying to distance themselves from Harvard University's Jeffrey Sachs. One high-level Polish collaborator of Sachs, during a July 23 discussion, at the mere mention of Sachs's name, shrieked that politicians and economic policymakers throughout formerly communist Central Europe and the former U.S.S.R. were "furious" at Sachs's efforts to claim authorship for reform policies, and dismissed "this American economist" as "adventurous."

Since this individual's actual policies are no different in content from those of Sachs, the reaction shows how strong popular discontent against "shock therapy" has become. Sachs is the lightning rod of resentment in the nations trying to free themselves from both communist and Adam Smith-free market legacies.