

IMF reforms are destroying Ukraine

by Natalia Vitrenko

Natalia Vitrenko is a deputy of the Ukrainian Parliament and chairman of a subcommittee of the Ukrainian Parliament's Commission on Economic Policy. She is also a doctor of economic science and a professor. This speech was delivered on March 29 to a conference of the Schiller Institute in Washington, D.C.

First of all, I would like to thank the organizers of this conference for inviting us, a parliamentary delegation from Ukraine, to take part. This conference, on problems of the development of the world economy and the conduct of the International Monetary Fund and World Bank, not only characterizes the situation in Ukraine, but demonstrates to all mankind how, under the slogans of reform, it is possible to destroy a country.

I am one of those Ukrainian scientists who advocated economic reform even when we were still part of the Soviet Union. I have brought here, as a gift for Mr. Lyndon LaRouche, my book, in which, characterizing the problems of Ukraine, I show that the hypertrophy of the military complex had led to a deformation of the economy as a whole, the failure properly to develop the domestic market, and an inadequate development both of the productive forces and of consumption. When Mrs. Thatcher, together with Mr. Bush, advised our Mr. Gorbachov about what kind of economic reform policy to adopt, we scientists supported the adoption of this reform, thinking that our problems would be solved in the course of the reform. We knew that we had to change the structure of our economy; we knew that we needed to liquidate the state monopoly on production, to reduce the level of state control of production. But now, after four years of these reforms, we can see what a tragedy they have brought for Ukraine.

Figure 1 shows the decline of Ukraine's Gross Domestic Product, from the middle of 1992 to the end of 1994. **Figure 2** shows, in relationship to 1989 levels, what has happened with the national income of Ukraine, the total volume of industrial production, and the production of consumer goods, including food. You see a per capita threefold decline in the Gross Domestic Product, and a twofold decline in the national income produced.

This shows that there have been no progressive structural changes in the Ukrainian economy whatsoever. While there was an overall decline in economic production, production



Dr. Natalia M. Vitrenko speaks on April 1, 1995 in Leesburg, Virginia. To her right is fellow member of the Ukrainian Parliament Vladimir Marchenko.

for consumption declined at a surpassing rate. While the previous speaker [Christopher White; see his speech on p. 12] showed that value indicators can be put forward to demonstrate an alleged growth in American productivity, in Ukraine, even these monetary indicators show a steep decline. If we were to take physical indicators in Ukraine—and in this regard, we fully endorse LaRouche's theories—then we would see a decline which is nothing short of catastrophic.

We have a four- and fivefold decline in production in the fundamental categories of goods. But if we look at certain products, such as railway engines, we have a 50-fold decline. Our agricultural production is being destroyed. The investment complex is being destroyed. 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, and the gap between the rich and the poor is becoming greater and greater. However we might criticize the 70 years of Soviet power, we did not have beggars; people were employed; and any child could obtain an education, including a higher education. Today, in Ukraine, out of 23 million in the workforce, 7 million are unemployed.

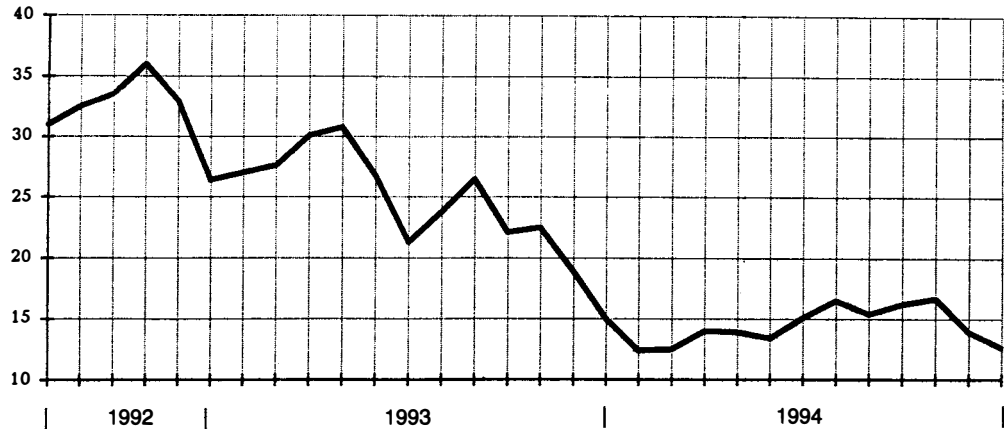
The demographic consequences of this process are lawful. In four years, the average life expectancy has fallen by six years. Fertility has fallen from 15 births per thousand population to 10.5 per thousand.

From this we can take stock of the deindustrialization, the de-intellectualization, and, on the whole, the degradation of Ukraine. This all can be attributed to the recommendations

FIGURE 1
Real Gross Domestic Product of Ukraine, July 1992-December 1994

(billions of karbovanets, December 1991 prices)

Source: European Center of Macroeconomic Analysis of Ukraine



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. The IMF, together with the Soros Foundation, trained the personnel who came to carry out these policies.

Growing opposition

Naturally, the entire population of Ukraine, which is over 50 million people, cannot go along with such a reform policy. Together with Vladimir Marchenko, also a deputy of our Parliament, who is here with me, I represent forces in the Parliament who have come out against and will continue to oppose the implementation of the IMF recommendations.

A group of us scientists is currently developing a program to avert national catastrophe. We believe it is still possible to

save Ukraine from total destruction, and for this it is necessary to defend the interests of our domestic production and to revive it. The state must regulate the relevant social and economic processes, which means that the state must conduct a well-conceptualized price policy, introduce protectionist measures for our import and export, introduce a fixed exchange rate, and reform wage policy enough to guarantee the physical survival of each working person. If we have a system of social defense of the population, this is not some kind of state populism, but rather this is a necessary condition to maintain stability, under conditions where the reforms could be launched which the population does need. Therefore, we are very closely studying international experience, and we will do everything possible for a rebirth of Ukraine, that Ukraine might occupy a worthy place in the circle of civilized countries in the world.

FIGURE 2
Movement of basic economic indicators in Ukraine, 1990-94

(as a percentage of 1989)

