

striking miners in the Far East and southern Russia began to return to work. The Far East miners also received the first installment of back wages, namely, their February and March salaries. On the one hand, the union announcement postponed of the general strike, even though the word postponement was never used. However, to avoid an Aug. 25 general strike, the government must pay off the total of 1.7 trillion rubles (\$324 million) owed in back wages. As one can see, the sum involved is almost identical to one IMF tranche (\$330 million).

The sums may be more than coincidence. The 1.7 trillion ruble figure as the amount owed that has to be paid to prevent a general strike, was that given by Budko. On Aug. 1, the coal miners union had declared, after the first \$45 million had been sent to the Far East miners, that coal miners were still owed \$500 million. After the Aug. 5 meeting with the government, somehow \$500 million became \$324 million. Perhaps somewhat trivial, but nonetheless an illustration of the regime's maxim: "Expend only what is absolutely necessary to avoid a social explosion, and not one kopek more."

Buying time is coming to an end

However, the days of financial juggling to scrape through from week to week, including sums from the IMF and other agencies as a way of propping up a comprador regime, are drawing to an end. The recognition of this is coming even from within the government camp. At the beginning of August, Central Bank head Sergei Dubinin said that the "existence of the Russian state is at stake." The July 30 German financial daily *Handelsblatt* cited an adviser to President Boris Yeltsin, Nikolai Malyshev, calling for an urgent change in government policy to promote industrial production and exports. He warned that by continuing the policy of exporting "oil, gas, and metals for food . . . it won't take long before the country is destroyed." Instead, Russia "has to develop its machine building, light industry, and food processing industry," he said.

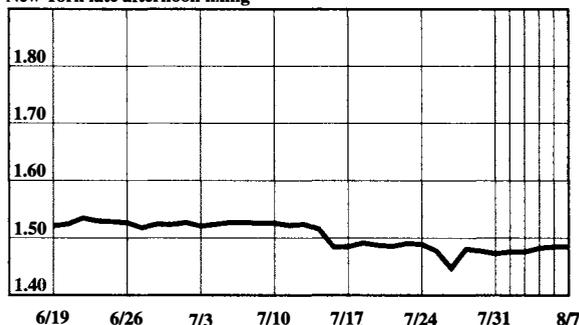
The same urgent warnings are coming from the opposition. On Aug. 2, Gennadi Zyuganov, the Russian Communist Party leader who had opposed Yeltsin for the Presidency, was quoted in the *Wall Street Journal-Europe*: "Chaos and crisis are growing in the country. The financial-budget sector is on the brink of a crash. Every two days a bank is collapsing." On Aug. 5, the government finally released the data on bank failures, which showed that Zyuganov had understated the gravity of the banking crisis. For the first half of 1996, there were 145 bank failures, i.e., more than three every four days.

Other statistics for the first half of 1996 were no less gruesome: GDP had fallen by 5%, industrial production by 7%, and capital investment by 14%. The rates for the summer will be even worse, because of the near total stoppage of production in the Far East, as a result of the disruption of fuel supplies that forced power plants to close and shut off electricity to industrial plants.

Currency Rates

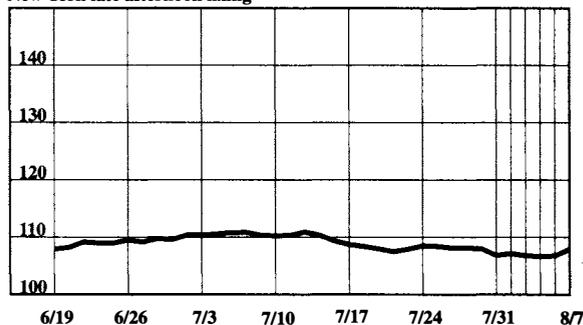
The dollar in deutschemarks

New York late afternoon fixing



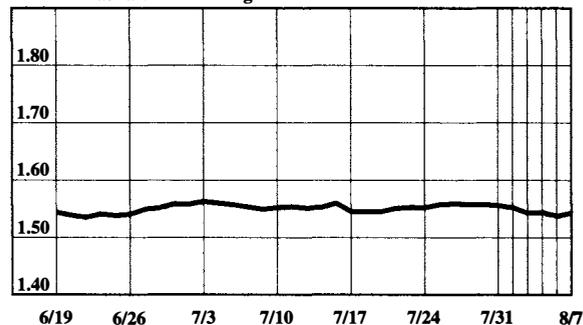
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

