

Albanians say 'No' to IMF's 'model pupil'

by Konstantin George

For three days, on Jan. 24-26, citizens of Albania rampaged through in towns and cities across the country, to protest the loss of all their savings and other possessions, in the collapse of Albania's investment funds that had been peddling get-rich-quick pyramid schemes. According to official Albanian estimates, one out of every three Albanian families lost all their savings, with the total amount lost topping at least \$1 billion. The government was forced to deploy Army special units in the capital, Tirana, and other cities, and through these emergency measures, plus promises to compensate victims of the swindle, order has since been restored. Whether that calm will survive even February, is questionable, given the magnitude of the personal catastrophe that has struck such a high percentage of Europe's most impoverished population.

The rage over that level of personal catastrophe was reflected in the rioting and burning that occurred. In Tirana and many other towns, city halls and other government buildings were burnt down, as well as, invariably, the local building of the ruling Democratic Party. In the central town of Lushnja, the country's only oil refinery was destroyed by rioters. Albania's Foreign Minister Tritan Shehu, who went to Lushnja to try and pacify the rioters, was himself injured by a flying stone, held captive five hours, and almost lynched. The regime's complicity in the flourishing of the pyramid scheme funds created a situation in which Albania fell just short of plunging into uncontrollable anarchy.

Not the first time

The existence of such pyramid schemes, which are a looting mechanism against the population in addition to the official looting carried out by regimes on behalf of International Monetary Fund (IMF) austerity policies, is not unique to Albania in post-communist eastern Europe and the former Soviet Union. What makes Albania unique is the unusually high percentage of the population devastated by the funds' collapse in January. The true numbers of those affected is higher than the official estimate. In reality, no less than seven out of ten Albanian families lost either part or all of their savings.

The pattern of the boom and inevitable bust of these funds in the former East bloc, is always the same. In Russia, there

was the notorious 1994 collapse of the MMM Fund, the largest such case, which had looted the savings of several million Russians; and, more recently, the case of the "Caritas" Fund in Romania, in which 4 million Romanians lost over \$1 billion. Similar cases have been documented in the Czech Republic and Serbia.

The way a pyramid scheme functions is simple. A group from the East's new ruling class of *nouveau riche* and ex-communist *nomenklatura*-types turned "capitalists," set up a fund, promising a return of 30% to 100% a month on the money invested, after a certain amount of time has elapsed, to anyone who invests in it. In the opening phase, the fund's controllers indeed pay out such huge returns to insiders and, most important, to ordinary people who invest in the first round, in as many towns and cities as possible. These ordinary people, the "winners," in turn, have friends and neighbors, who now look on with envy as to how easily their friend,

IMF told Berisha, 'Do not intervene'

In an interview with the Feb. 5 issue of France's daily *Le Figaro*, Albanian President Sali Berisha was asked about the role of the International Monetary Fund in the Populli credit institution scam. Populli was one of the first two such institutions to collapse, looting Albanian depositors of an estimated \$1 billion in savings. "Repeatedly," *Le Figaro* asked, "the International Monetary Fund had warned you about companies that practiced usurious interest rates, up to 100% per month. Why didn't you do anything about it?" To which Berisha responded: "You don't have to exaggerate! The IMF did not raise the question until this year. They said to us: 'Don't stop them, it is a private matter. But inform the public about the danger these funds represent.' In agreement with the IMF, we decided then to create a Transparency Commission; then we condemned these practices. What more could we do? According to our laws, the right to lend is inalienable and these practices were not illegal." He added that the Albanian institutions were not involved in these "private" transactions.

Berisha dismissed the devastation, saying: "It was a lesson. It is a perverse effect of our freedom, which however, is not being put in question, because what is being lost is not comparable to what Albanians have gained over the last four years." He added, "Don't forget, in 1990, Albania knew nothing about market economy. The country was completely isolated for half a century."

neighbor, or co-worker has become rich, while they are still poor. Under conditions where honest work, thanks to IMF policies, either doesn't exist, or where wages are not paid for many months, and there is no end in sight to poverty, the temptation to join the seemingly assured get-rich-quick bandwagon, becomes almost unstoppable.

At this point, the flow of money from citizens into these funds takes on mass dimensions; the fund managers take another huge cut for themselves from the new monies, and increase the amounts paid out to the next round of winners. This, then, conveys the intended image that the funds are growing and are tangibly benefitting more and more people. At this point, even the original skeptics are convinced of the soundness of the fund, and more money pours in. However, the amounts paid out, first and foremost to the owners and insiders, including those in the regime whose palms are greased to ensure that there is no interference with the scam, become ever-larger. It is only a matter of time, usually months, before what is being paid out hopelessly exceeds whatever is coming in. The inevitable result is collapse, and millions of suckers are left out in the cold.

Lost to the 'casino mondiale'

Are these pyramid schemes "rogue" operations? Not at all. The money from millions of poor eastern Europeans is

taken in by these funds in the form of dollars, or, if in domestic currency, quickly converted into hard currency. This hard currency, minus the amounts paid out to keep the suckers coming in, does not remain in the eastern European country. It goes, as do many such liquidity streams, out of eastern Europe and the former Soviet Union, into the West, to help feed the big bubble in the global financial markets.

As every case in eastern Europe shows, pyramid schemes are part and parcel of IMF strategy. The case of Albania exemplifies this. When the pyramid schemes were set up and flourishing in 1995-96, the IMF was hailing Albania as its "model pupil." A quote from the Jan. 29, 1997 London *Financial Times*, written after the funds collapsed, enshrines this: "Albania had been seen as one of the success stories of transition in eastern Europe, and as a model pupil of the IMF, by embracing privatization and achieving the highest rate of economic growth and the lowest level of inflation in the region."

This IMF propaganda is pure fraud. For example, the large amounts of savings suckered into the pyramid schemes, as a rule, do not come from work-earnings intrinsic to the internal Albanian economy, which, broadly speaking, does not exist. The gang that rules Albania, starting with its President, Sali Berisha, came to power because of a backlash against the nightmarish regime of Enver Hoxha. In 1990-92, that rage was deliberately allowed to run rampant, where the people, already in desperate straits, were told, "Communism and the system of state enterprises and state farms is gone; it all belongs to you." A period of looting and pillaging swept the country, stripping everything of value movable, from the state industrial enterprises and state farms. That ended anything industrial in Albania's economy, and turned the country into a subsistence economy. To this day, the abandoned and gutted hulks of factories and state farms dot the Albanian landscape, from one end of the country to the other.

Albania, a country of 3.3 million people, has only survived through the 1990s so far, on account of the remittances of roughly three-quarters of a million Albanian foreign workers and emigrés, which is about half the labor force. The lion's share of them, some 400,000, work in Greece; the rest are divided primarily between Italy and Germany, along with a large emigration to the United States. The families who received these remittances provided the bulk of the monies that flowed into the pyramid schemes. So much for the IMF's "model pupil."

President Sali Berisha is a perfect example of the former *nomenklatura* Communist (he had been the personal physician to the late Stalinist dictator, Hoxha) who turns into an IMF comprador and hypocritical "democrat." His international connections, as the local overseer of IMF looting, are impeccable. This centers on a close relationship with former U.S. President George Bush. Berisha bears the dubious honor of being the only head of state anywhere to have given his nation's highest award, the Skanderbeg Medal, to George

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Bush, after Bush had left office.

The Western media have defended the IMF, by citing its urgent warnings to Albania, issued in November, that the funds were soon to go bankrupt. The IMF's concern, however, was not the people of Albania, but the continued stability of its "model pupil," the Berisha regime.

Is a Pinochet model coming?

Everything will be done to keep Berisha in power, including making Albania the candidate to abandon the facade of democracy and become the first outright dictatorial "Pinochet model" in eastern Europe. Albanian government denials to the contrary, a virtually indefinite "state of emergency" already exists in the country. The presence of Army units in Tirana, guarding all important government buildings, the State TV and Radio Center, and other important installations, and a similar presence in every major city, has become a new fact of life in the country.

The process toward the "Pinochet model" was already clearly in evidence in the massive vote fraud in the May 1996 elections, in which Berisha's Democratic Party won more than two-thirds of the seats in the new Parliament, allowing him at any time to legally convert Albania into an open dictatorship. A step in that direction was visible in the Jan. 29 roundup of opposition Socialist Party figures, who were accused of having instigated and led the riots.

In the protest wave that swept Albania, Socialist Party leaders had addressed the rallies, demanding that the government resign, followed by early elections. The Socialist Party had vowed to emulate the tactics seen in Serbia and Bulgaria, of staging daily protests in the capital until those in power relented, and agreed to the opposition's demands.

The Berisha regime has decided to try and nip this process in the bud. A full-scale crackdown began on Jan. 29, after a three-day, around-the-clock barrage by State TV and Radio, accusing the ex-communist Socialist Party of using agents of the former communist secret police, the Sigurimi; of leading the riots and of arson; and charging the other opposition parties with involvement. The general secretary of the Socialist Party, Rexhep Meidani, and the leaders of the Social Democratic Party, Gjinushi Skender, and the Democratic Alliance, Arben Imami, were arrested. Dozens of Socialist Party officials and hundreds of those involved in the protests were also imprisoned. President Berisha issued a statement blaming "activists and regional leaders of the Socialist Party," working together with former Sigurimi members, for the "acts of violence" during the protests "They lost the elections, and have now chosen the path of burning and destroying," he said. Berisha declared that the opposition as a whole, the Socialist Party, and the "Sigurimi agents," were engaged in "attempting a coup."

The real coup being attempted is that of the IMF, using the Berisha regime to initiate the process of bringing the IMF's "Pinochet model" to eastern Europe.

Peru's Fujimori gamers support vs. terrorists

by Valerie Rush

Peru's President Alberto Fujimori is back in Peru, after a Jan. 31-Feb. 4 trip, first to Canada and then to Washington, D.C., where he met with the Japanese and U.S. heads of government. In his meetings, Fujimori assured them that he would not yield to the blackmail demands of the MRTA terrorists, who are holding 72 high-level government and business leaders hostage at the residence of the Japanese ambassador in Lima.

In a joint statement issued Feb. 1 by Japanese Prime Minister Ryutaro Hashimoto and by Peru's Fujimori, the two agreed that there could be no concessions to the terrorists. The statement specified that "Prime Minister Hashimoto supported President Fujimori in his rejection of the MRTA's demand for the release of the MRTA terrorists currently in incarceration." Fujimori later clarified that release of the imprisoned terrorists "would not only threaten Peru, but the international community as well. We shall not release such people."

Fujimori also reiterated his earlier pledge to seek a peaceful solution to the hostage crisis, as long as the hostages were unharmed.

Fujimori had convened the meeting with Hashimoto, following the Japanese government's publicly expressed nervousness over the hard line he has taken in dealing with the MRTA. Without apologies, Fujimori was apparently able to convince the Japanese prime minister that international solidarity, not concessions, was the only way to defeat the terrorist hydra.

Continued strong support from President Clinton was undoubtedly a critical factor on Fujimori's side. The Peruvian President's visit to Washington, following the Canada summit meeting, was to express gratitude to the U.S. government for that support. Despite the fact that President Clinton had apparently been urged by some advisers to not meet with Fujimori, supposedly for fear of possible terrorist reprisals, a meeting between the heads of state did in fact take place at the White House, where Clinton did not hesitate to express his admiration and respect for Fujimori's deft handling of the crisis.

'The MRTA are terrorists'

One of the repeated themes of Fujimori's visit was his emphasis that the MRTA are neither "rebels" nor "guerrillas,"