Increased social unrest in Europe

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Capitalism fails former socialist States

> Thousands of demonstrators in Lithuania, Latvia and Bulgaria have attacked government buildings and called on their governments to resign as unemployment soars in Eastern Europe.

Living standards in these countries were always below those for many countries in the imperialist West. But during the existence of the USSR and the socialist bloc, workers in these countries enjoyed secure jobs and guaranteed access to education, health care and retirement benefits.

Police attack demonstrators in front of Latvia's Parliament building in Riga Jan. 13. Experts predict a regional increase of 15 million to 18 million unemployed in the coming months, with no relief as jobs for immigrants disappear in Western Europe and the United States.

Neil Shearing at Capital Economics in London says that "Unemployment in the Baltic countries could spike to more than 15 percent. Industry has absolutely collapsed because of shrinking demand" in Western Europe and the U.S. He continues, "The recession will essentially engulf the entire economy of the region." (Radio Free Europe/Radio Liberty, Jan. 29)

The world capitalist economy is collapsing. The rightist pro-capitalist regimes that have been ruling these countries since the early 1990s are imposing severe cuts on the remaining social safety-net programs. As a result, workers are rising up in protest.

In front of Lithuania's Parliament in Vilnius Jan. 16. On Jan. 16, more than 10,000 people converged on Riga's 13th-century cathedral and then marched on parliament to protest the Latvian government's economic program. The Latvian central bank governor has pronounced the economy "clinically dead." (The Age, Australia, Feb. 1)

On the next day there were similar scenes in Vilnius, the Lithuanian capital. Enraged throngs of thousands gathered outside parliament chanting, "Thieves, thieves!" (World Press, Jan. 30) Their anger was directed at the government, which had passed IMF-prescribed "market reforms." This resulted in corruption, drastic cuts in government spending for social services, inflation, tax hikes and now a huge jump in unemployment.

While youths hurled cobblestones at government buildings and shop windows, doctors, police, farmers and workers protested against poor pay and the government austerity policy.

In Bulgarian capital Sofia Jan. 18. The following week, students, teachers, doctors and public servants rallied outside Bulgaria's parliament demanding improved economic rights and an end to corruption.

According to Business Week of Jan. 29, Estonia and Hungary are on the verge of similar uprisings. In Hungary, industrial output is at its lowest in 16 years. The currency sank to a record low against the euro as the government in Budapest announced more spending cuts. (The Age, Feb. 1) Ukraine's economy, too, is in freefall.

In a Jan. 22 BBC interview, Dominique Strauss-Kahn, head of the International Monetary Fund, predicted more unrest, saying it could happen “almost everywhere. It may worsen in the coming months.”

The republics of the former USSR and Eastern Europe are “much more vulnerable both economically and politically than several months ago,” said Joanna Gorska, deputy head of the Eurasia desk at Exclusive Analysis. (Reuters, Jan. 30)

Why are these former socialist countries—the so-called New Europe—facing such economic devastation and attendant mass uprisings?

Shock therapy kills ‘patients’

All of Eastern Europe was forced, after “the fall of communism,” to accept an economic doctrine called “shock therapy.” Devised by Harvard-trained economics professor Jeffrey Sachs, this policy was characterized by the frantic wholesale privatization of state-owned industries, lowered wages, mass unemployment and price deregulations. Shock therapy involved drastic spending cuts in health and education and curtailments in pension benefits.

“Businessmen, not economists, will determine the new technologies, organizational systems and management techniques that will be the source of Eastern Europe’s reinvigoration,” Sachs said. (Economist, Jan. 13, 1990)

With the public sector dismantled, Western corporations took advantage of the cheap labor of a desperate but well-educated workforce. Since 1989 more than 70,000 enterprises have been privatized in Central and Eastern Europe.

The boom that followed, fuelled by easy credit, investment from dubious sources, unbridled speculation and shady property deals, turned to bust with the collapse of the global banking system and the evaporation of global markets.

The human suffering that resulted is so widespread that the British medical journal The Lancet in a recent article attributed about 1 million early deaths in the 1990s in the former “Soviet bloc” to the shock doctrine, the mass privatization of state-owned industries, price deregulation accompanied by drastic spending cuts in health and education, and curtailments in pension benefits.

The report noted that life expectancy had declined by five to seven years in some newly capitalist Eastern European countries, and that “In the early to mid-1990s in countries undergoing post-Soviet transformation, there were more than 3 million premature deaths and the region lost at least 10 million adult males.” (International Herald Tribune, Jan. 15)

The International Labor Organization has stated that shock therapy caused male deaths to rise 42 percent in Russia, Kazakhstan, Latvia, Lithuania and Estonia between 1991 and 1994, coinciding with a 305-percent increase in unemployment. (Agence France Presse, Jan. 14)

The Czech, Polish, Hungarian and Romanian currencies have fallen between 3.8 and 11.6 percent since the beginning of January, and more decline is expected.

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