RUSSIA IN CRISIS: YELTSIN'S LAST STAND

Introduction

Ever since Boris Yeltsin stood on top of a tank in defiance of the 1991 military coup against Mikhail Gorbachev, he has been portrayed as something of a political cowboy in the frontier democracy of Russia, the world's largest nation. But after a tumultuous seven years, it seems that the summer of 1998 may indeed have been Yeltsin's last stand. Plagued by ill health, Yeltsin has had a rocky second term in office, during which Russians have seen their standard of living drop sharply. Known for firing his entire cabinet when things aren't going right, in March 1998 Yeltsin replaced Viktor Chernomyrdin, his prime minister of six years, with Sergei Kiriyenko. But the Russian economy continued to nosedive throughout the summer of 1998, necessitating a bailout on July 20 of $22-billion (U.S.) by the International Monetary Fund. It was hoped that this bailout would prevent a devaluation of the ruble. However, this did not prove to be the case, and the ruble declined sharply against the U.S. dollar in August, falling by a third in one day alone.

Notwithstanding its sharp decline in value, the ruble no longer seems to matter much to the average Russian. The breakdown of the economy has been so thorough that many Russians have not been paid wages for months, and the government in turn has not been able to collect any taxes. To subsist, Russians have learned to get by without cash, and as a result there is an active and flourishing barter economy operating in the country, an underground economy that makes matters even worse by decreasing the flow of rubles between buyers and sellers. Needless to say, the social infrastructure is suffering as a consequence of these changes in Russian society.

As the economy continues to flounder, many Russians are becoming increasingly desperate. Some describe the economic conditions as the worst they have seen since the years of the First World War. Many are
concerned about the growing support for the Communists, who ironically are seen as an attractive alternative to the fumbling reformers currently in power. Indeed, when Yeltsin once again fired his government on August 23, 1998, and reappointed Viktor Chernomyrdin as prime minister, it was the Communist-dominated Duma that blocked Chernomyrdin's appointment. Yeltsin was forced to choose Yevgeny Primakov, a man the Communists approved of, as his new prime minister.

The next presidential elections in Russia aren't scheduled until the summer of 2000, but there are calls for Yeltsin's early resignation. Until this summer, Yeltsin had been able to point to two substantial successes: a stable currency and a low inflation rate. But now, even these achievements have been swept away, as has Yeltsin's firm hold on power.

The rest of the world watches and waits, all too aware of the fact that Russia still maintains the world's largest nuclear arsenal. Some cynics claim that the demise of Communism led not to true democracy but only to capitalism. Current events in the country certainly seem to suggest that the wild frontier of capitalist Russia may in fact be more dangerous than the state-run economic regime of its Communist predecessors.

**Introduction**

**Watching For Weakness**

**Timeline of a Leader**

**Waiting in the Wings**

**The International Monetary Fund**

**Discussion, Research, and Essay Questions**

---

**Comprehensive News in Review Study Modules**

Using both the print and non-print material from various issues of *News in Review*, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

"Gorbachev at the Brink?" May 1991
"The Life and Death of the Soviet Union," February 1992
"Boris Yeltsin: YES to Reform," April 1993
"Chechnya: A Question of Control," February 1995
"Democracy in Russia: The Guns of October," November 1993
Other Related Videos Available from CBC Learning
Does Your Resource Collection Include These CBC Videos?

France Today: The Cost of Social Welfare
Inside Yeltsin's Russia
Life in the Shadows: The Gouzenko Family Story
Return to Chernobyl
Soviet Propaganda Porcelain
RUSSIA IN CRISIS: YELTSIN'S LAST STAND

Watching For Weakness

In a relatively short period of time, Boris Yeltsin has fallen from a "state of grace" as a strong, heroic, and freedom-seeking leader. The televised image flashed around the world of him standing defiantly on a tank outside the Russian parliament embodies this image. Times have changed, hopes have been dashed, and Boris Yeltsin struggles to retain control and the confidence of the people. His enemies watch him carefully and are ready to exploit any sign of weakness.

1. All news stories involve a context: circumstances, conditions, events and a particular setting. As you view this news story, listen carefully for the following words and note how they are used in this story. Then choose six and write a short description of how each contributes to the context of this story.
   survivor
   hopes and expectations
   promises
   unemployment
   yesterday's man
   uncertainty
   heart surgery
   control
   economy
   ruble
   Soviet ways
   market economy

2. A political and economic crisis involves numerous key players who frequently represent opposing views or defining aspects of the crisis. Identify each of the following as they relate to the crisis surrounding
Boris Yeltsin and suggest the role each plays.
reformers
the Duma
the Communist Party
Boris Yeltsin
Sergei Kiriyenko
Viktor Chernomyrdin
Yevgeny Primakov

3. Watch the video a second time. This time consider how Boris Yeltsin has gone from a dynamic leader of change and hope to a leader making his "last stand." What specific event or events best represent this phrase? What does "last stand" suggest in terms of the power structure in Russia? In what ways is it an appropriate description for what is facing Boris Yeltsin? You may wish to make reference to the chronological information on the next pages of this resource guide.
RUSSIA IN CRISIS: YELTSIN'S LAST STAND

<table>
<thead>
<tr>
<th>Timeline of a Leader</th>
</tr>
</thead>
</table>

Is Boris Yeltsin a victim of his own success? Did events in post-communist Russia move too fast? Was the sudden and dramatic move to a market economy above and beyond the talents of any leader in a post-communist society?

As you read the following chronology of Boris Yeltsin's life and career, highlight in one colour events that, in your opinion, prepared or promoted Yeltsin for his role as the powerful leader of a new democracy. In another colour, highlight events that you think worked against Yeltsin, despite his strengths and best intentions. Are such opposing events peculiar only to politicians? Could such a rise and fall of fortunes happen to anyone? What do you think marks an individual as having leadership qualities?

1931 Boris Nikolayevich Yeltsin is born in Butka, Sverdlovsk region, Russia.

1934 Nikolai Yeltsin, Boris Yeltsin's father, is convicted of anti-Soviet agitation. He is sent to the Gulag labour camps for three years.

1955 Yeltsin graduates from the Ural Polytechnic Institute with a major in Construction. He starts his first construction job the same year.

1956 Yeltsin marries Naina Iosifovna Girina, whom he met in college. Two daughters are born in the next two years.

1961 Yeltsin joins the Communist Party of the Soviet Union (CPSU).

1963 Yeltsin becomes the chief of a housing construction integrated
plant and has thousands of labourers working under him.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>Yeltsin becomes chief of the construction department of the Sverdlovsk Region Committee of the CPSU.</td>
</tr>
<tr>
<td>1976</td>
<td>Yeltsin is elected first secretary of the Sverdlovsk Region Committee of the CPSU.</td>
</tr>
<tr>
<td>1985</td>
<td>Yeltsin moves to Moscow. He is elected first secretary of the Moscow City Committee of the CPSU. This position also gives him the status of an alternate member of the Politburo of the Central Committee of the CPSU.</td>
</tr>
<tr>
<td>1987</td>
<td>Yeltsin criticizes the Secretariat of the Central Committee of the CPSU for the slow pace of reforms. He loses the position of first secretary of the Moscow City Committee of the CPSU and his membership on the Politburo.</td>
</tr>
<tr>
<td>1988</td>
<td>Yeltsin is appointed first vice chairman of the State Committee on Construction.</td>
</tr>
<tr>
<td>1989</td>
<td>Yeltsin is elected to the Congress of People's Deputies of the USSR in the first multi-candidate parliamentary elections held in the history of the Soviet Union. He receives a seat in the Supreme Soviet of the USSR, where he is given the position of chair of the Committee on Construction. He also becomes co-leader of the Inter-Regional Group of deputies, which is involved in human rights and democratic reforms.</td>
</tr>
<tr>
<td>1990</td>
<td>Yeltsin is elected speaker of the Supreme Soviet of the Russian Soviet Federative Socialist Republic (RSFSR). He becomes extremely critical of Mikhail Gorbachev, saying that Gorbachev needs to quicken the pace of reform and get tougher on the hard-line Communists. On June 12 of the same year, the Congress of People's Deputies of the RSFSR adopts the Declaration of Sovereignty of the RSFSR, and this day becomes Russia's Independence Day. Yeltsin resigns from the Communist Party a month later.</td>
</tr>
<tr>
<td>1991</td>
<td>Yeltsin is elected president of Russia in June. In August, the chief of the KGB attempts a coup against Gorbachev, and troops surround the White House of Russia, in Moscow. Yeltsin condemns the coup, and thousands of unarmed civilians come to the White House to defend it. This, and the junta's failure to act decisively, cause the coup to fail. The coup leaders flee to Crimea, and Gorbachev returns to Moscow. In December, Ukraine holds a referendum and votes for independence from the Soviet Union. The presidents of Russia, Ukraine, and Belarus sign a treaty to create the Commonwealth of Independent States. Gorbachev resigns, and on December 25, the Soviet Union ceases to exist.</td>
</tr>
</tbody>
</table>
1992 Yeltsin appoints Vegor Gaidar prime minister of Russia, who begins economic reform of unprecedented measure. The program consists of liberalization of prices, legalization of private business and private land ownership, introduction of free trade and commercial banking, privatization of state-run enterprises, and massive cuts in military spending. Inflation skyrockets, import taxes remain low, and taxes on Russian manufacturing remain high. As a result, domestic production declines. This stage of economic reform is dubbed "shock without therapy." In December, Yeltsin appoints Viktor Chernomyrdin prime minister, forcing Gaidar to resign.

1993 The Congress of People's Deputies of Russia attempts to impeach Yeltsin, but the impeachment attempt falls 72 votes short of the necessary number of votes to succeed. A referendum is held, and Yeltsin receives a 58.5 per cent approval rating. Yeltsin disbands the Supreme Soviet and the Congress of People's Deputies in violation of the Constitution. Yeltsin's opponents take control of the Moscow mayor's office, the Ostankino TV station, and the White House. Yeltsin's supporters surround the White House and retake control, but more than 100 people die in the ensuing conflict. Parliamentary elections are held, and the new Constitution is approved in a referendum.

1994 Yeltsin sends Russian troops to Chechnya to crush the independence movement. As the war drags on, Yeltsin's popularity rating drops to an all-time low of six per cent. Economic reforms continue with negative effects. Organized crime increases, the gross domestic product (GDP) falls, unemployment rises, living standards fall. One third of the population now lives below the poverty line of $60 U.S. per month.

1995 Yeltsin has two heart attacks.

1996 Yeltsin announces he will seek a second term. He wins the elections in June and then undergoes quintuple bypass surgery in November. In August, his security chief, Alexander Lebed, signs a truce with Chechnya.

1998 Yeltsin fires his entire cabinet in March. Sergei Kiriyenko becomes the new prime minister. On August 23, Yeltsin fires the entire government once again and appoints Viktor Chernomyrdin as prime minister, but his appointment is not approved by the Duma. Yeltsin appoints Yevgeny Primakov instead.

Cause, Effect, or After-effect?
1. There are two current schools of thought about the 1998 Russian
economic crisis:
(a) that it is an after-effect of the economic crisis in Asia, or
(b) that it is the direct result of mismanagement by the Russian
government.
What are the implications for Boris Yeltsin of each hypothesis? How
might one go about researching these two schools of thought in order to
determine which might be correct? Make a list of specialists or experts
and their fields who could shed light on this question. How will history
help solve the question? Why might it be an error to assume that any
single hypothesis explains an economic crisis of this nature?

2. Whatever the cause of the crisis, the effects are certain. Suggest how
each of the following newspaper headlines suggests an effect of the
crisis and consequently an effect on the leadership of Boris Yeltsin.
"Shortchanged, Russians look to get rid of rubles"
"An early Russian winter"
"For most Russians, the only common cause is survival"
"New Russia Plumbs Soul In Vain for a Vision"
"Russia: Between a Dream and a Nightmare"
"Meltdown in Moscow"
"The Big Bailout of the Kremlin: How the U.S. Leaned on the IMF"
"Power in Russia is up for grabs"

Introduction
Watching For Weakness
Timeline of a Leader
Waiting in the Wings
The International Monetary Fund
Discussion, Research, and Essay Questions

Indicates material appropriate or adaptable for younger viewers.
RUSSIA IN CRISIS: YELTSIN'S LAST STAND

Waiting in the Wings

There is no shortage of politicians waiting for Boris Yeltsin to step aside. Below you will find biographical information on various men who are in a position to succeed Yeltsin. Proceed as follows:

1. Suggest what might be the strongest point of each in terms of a possible succession.

2. Discuss whether, in your opinion, it would be politically wise for a candidate to associate or disassociate himself from Boris Yeltsin.

3. Choose one of these individuals and suggest how a clever campaign manager might promote his or her candidate's platform in order to win the next presidential election.

**Viktor Chernomyrdin**

Viktor Chernomyrdin was prime minister from 1992 until the spring of 1998, when he was fired by Yeltsin. He was reappointed by Yeltsin in August 1998, but his appointment failed to pass the Duma. Yeltsin's approval of him may be his downfall as the Communists focus on him as an opponent and Yeltsin's heir-apparent. He is the former head of the powerful Russian gas monopoly and therefore not only has the support of the wealthy oil and gas sector, but is the only contender as financially well placed as Yuri Luzhkov to fund a presidential campaign.

**Alexander Lebed**

Alexander Lebed has allied himself with Chernomyrdin and Boris Berezovsky, the millionaire who supports Chernomyrdin and has many connections to and alliances in the Kremlin. He has built up a popular following across Russia. Lebed is a retired general, a former Afghan war hero, and he served briefly as Yeltsin's national-security advisor in
1996, helping to bring an end to the Chechnya war, before he was dismissed from the government. His winning the governorship of the Siberian region of Krasnoyarsk in the spring of 1998 is seen to be significant because this region is usually an indicator of how the entire country will vote. Lebed is a significant player because he has proven that he can attract the votes of the working class, which has been leaning toward the Communists. He finished third in the 1996 elections.

**Yuri Luzhkov**  
Current mayor of Moscow, Yuri Luzhkov has officially denied any interest in the prime ministership of Russia. Recent verbal attacks against Chernomyrdin suggest otherwise. He has the backing of influential parliamentary leaders and regional bosses, and is wealthy enough to afford a presidential campaign. Luzhkov is an opponent of the free-market reformers, and under his mayorship, the city of Moscow has become the owner of hundreds of businesses, thus keeping the businesses under government control. He is accused of running a corrupt government, but is widely popular with Muscovites.

**Yuri Maslyukov**  
Yuri Maslyukov is a Communist. At the moment, the Communist party remains the most organized of the Russian political parties. It has promoted a nationalist platform and a more moderate ideology to increase its support, as well as appealing to the Orthodox Church for support. Maslyukov is a former member of the Soviet Politburo and former head of Gosplan, the state-planning agency that ran the Soviet economy. He is considered a candidate for the prime ministership.

**Yevgeny Primakov**  
The current prime minister of Russia, Yevgeny Primakov is acceptable to the Communists because of his strategy of promoting a stronger and more nationalistic foreign policy for Russia.

**Yegor Stroyev**  
Currently the chair of the upper house of parliament, Yegor Stroyev quit the Communist party in 1991. He is considered a left-leaning moderate who would be acceptable to both the Kremlin and Gennady Zyuganov.

**Gennady Zyuganov**  
Head of the Communist Party, Gennady Zyuganov was defeated by Yeltsin in the 1996 elections. Though the bulk of Communist support comes from elderly pensioners, opinion polls still rank him as having the highest popular support. Zyuganov is expected to come in second in the next elections.

**Two Russian Solitudes**  
1. The political division in Russia today is essentially between the
reformers and the Communists. How might each side use the economic crisis in order to promote its political agenda? How might the events of Russian history hurt or help each side in the struggle for power in Russia? How do the terms reformer and Communist each suggest or reveal the political dilemma that each side faces in trying to win the trust of the Russian people?

2. Research the ideologies and economic platforms of each and write a short comparison of the two.
RUSSIA IN CRISIS: YELTSIN'S LAST STAND

The International Monetary Fund

When individuals or businesses in North America find themselves in financial difficulty, they often obtain loans from financial institutions to help them reverse spiralling debt. Although financial loans can help to reverse a negative situation, they can also increase the debt load and lead to a worse situation. If the loans do in fact help the borrower improve the financial situation, the benefits can be far-reaching. For example, employees will benefit by keeping their jobs, creditors will be paid money owing to them, and, in the greater scheme of things, the country's economy will benefit. But what happens when an entire nation is on the verge of bankruptcy? What are the implications for the rest of the world? In a global economic environment, the effects of a country's financial difficulties are felt worldwide. This is why the possible collapse of an economy as large as Russia's is a very large concern to the rest of the world. This is also one of the reasons the international agency, the International Monetary Fund (IMF), exists.

The IMF provided an emergency bail-out to Russia in July 1998 in the amount of $22-billion U.S. In early July, Michel Camdessus, the managing director of the IMF, gave the following address to the Bundesbank Symposium held in Frankfurt, Germany. In it he outlines the role of the IMF and how it is working behind the scenes as well as overtly in important international financial circles in today's global economy.

As you read this address, make written notes listing the various contributions the IMF is making. Then, with reference to your notes, summarize verbally in your own words the importance of this organization in the world today.

The IMF's Role in Today's Globalized World

Thank you, ladies and gentlemen. It is an honor to join you today as you
reflect on the IMF's role in today's globalized world. How fitting that we meet here in Frankfurt. And how fitting that we meet at a time when you are celebrating the 50th anniversary of the deutsche mark — a currency that has come to symbolize stability and that has served as the anchor of your national prosperity.

In fact, stability is exactly what the IMF is being called upon to ensure for the global economic and financial system, and in today's turbulent world, it is indeed a particularly precious commodity. For globalization offers both promises and risks. There is the promise of a huge pool of resources for investment and growth, economic equity, and social advancement. But there is the risk of capital flows drying up or reversing, thereby precipitating a crisis, when investors—domestic or foreign—abruptly lose confidence; of course, this was most recently brought home to us with the financial crisis in Asia. And there is also the risk of marginalization for countries, such as those in Africa, that have been slow to integrate into the world marketplace.

What is the IMF doing to help countries navigate such a turbulent world? And what ideas do we have on the best way to ensure stability and more generally to discharge our mandate as we enter the 21st century? These are the questions I would like to address in my remarks today.

What is the IMF? Contrary to what I thought when I joined the institution, this is not a question on which educated people and policymakers have an immediate and accurate response. In fact, according to popular opinion, and indeed, the makings of newspaper headlines, the Fund is simply a source of financing or a mechanism for crisis management. But this is wrong, as by far one of our most important functions is what we call "surveillance" — a mechanism that offers the prospect of addressing economic difficulties before they reach crisis proportions. Surveillance is the process through which the IMF continually exchanges views with national authorities and thereby evaluates the policies, performance, and prospects of each member, and provides a candid assessment to the membership at large at least once a year. Of course, the crises that are thereby prevented generally go unnoticed, but the importance of this surveillance in promoting economic growth and financial stability cannot be overstated.

What kind of policy advice do we give? Throughout our history, we have urged countries to pursue sound economic policies — by that I mean policies that promote growth through low inflation, sound money, prudent fiscal policies, and a sustainable current account position. Yet, as the economic landscape has changed, we have broadened the scope of our advice to include other elements that we call second-generation reforms that are also vital for economic growth and financial stability. These include:
reductions in unproductive government spending; higher spending on primary health care and education; and adequate social protection for the poor, the unemployed, and other vulnerable groups; the creation of a more level playing field for private sector activity, by increasing openness, stepping up privatization, dismantling monopolies, and setting up simpler, more transparent regulatory systems; stronger banking systems that protect depositors, especially small savers, and reduce risks for shareholders and creditors by enforcing strict prudential standards and information disclosure requirements; tax systems that are effective, efficient, equitable, and as simple as possible; and greater transparency and accountability in government and corporate affairs.

The challenge for us is to give these issues the proper attention — which can be critical for the sustainability of macroeconomic policies — while keeping strongly focused, as part of our permanent task of surveillance, on the paramount objective of stability in its internal and external aspects.

Beyond that, of course, there is our responsibility for helping member countries adapt to changing circumstances. And if this had not been our reading of our mandate, our membership would have been prompt. And has been prompt in asking us to take on this responsibility: in the 1970s, for helping oil exporters recycle their surpluses and helping others finance their oil-related deficits; in the 1980s, for helping Latin America overcome its debt crisis; in 1989 and the early 1990s, for helping the transition countries of eastern Europe and the former Soviet Union overcome the legacy of central planning; and in late 1994 and early 1995, for helping Mexico, and with it probably Latin America, avert financial collapse.

**Helping Countries To Adjust**

These days, we remain quite active in Russia and in many economies in transition, where we are trying to bolster reform efforts; in Africa, where we are helping to secure a renaissance after two lost decades; and in Asia, where we are trying to contain the current financial crisis. Let me take these areas of the world one at a time.

From the earliest days of the transition, the IMF has been helping to underpin reform efforts in the transition economies with policy advice, technical assistance, and financial support and to mobilize financing from other sources. . . .

How are these countries faring? Undoubtedly, 1997 brought good news: positive growth was recorded for the first time in eight years, and the overall expansion is expected to strengthen this year and next. But
regrettably, a number of these countries have been feeling the aftershocks of the recent turmoil in East Asia: their export prices have weakened, conditions in international capital markets have become less favorable, Asian investors have scaled back investments, and their currencies have come under attack.

The challenge for us, therefore, is to assist the transition economies in safeguarding and extending their progress through sound macroeconomic policies and with the support of EBRD and the World Bank the second generation reforms that I have already mentioned. The IMF will naturally continue to support such programs. Indeed, these types of measures are vital throughout the world, especially for emerging countries wishing to access global capital markets. It is interesting to recall that at the beginning of the 1990s a passionate debate developed: weren't we too tough pressing too much for low inflation and speedy reform? Now the response is clear: the fastest countries in adjusting and reforming are now the strongest in growing and in withstanding the crisis. A lesson worth remembering. . . .

**Helping Countries In Crisis**

Turning to East Asia, the first question here is what went wrong? How could events unfold as they did after several decades of such outstanding performance, in terms of growth and poverty reduction? The answer is that there was another side to the so-called miracle. In a globalized economy, as I suggested when talking about the scope for surveillance, a few macroeconomic virtues are not enough. Constant vigilance by all countries must be maintained over all the socioeconomic parameters. The soundness of the banking system, in particular, must be monitored at all times. The unsustainable accumulation of short-term financing must be avoided. And great care must be taken to ensure that governments conduct their affairs in an irreproachable and transparent manner and that all forms of corruption, favoritism, nepotism, and, if I may use the expression, "cronyism" are shunned.

But let us not single out the Asian countries alone. These missing elements exist to a degree everywhere. And Asia's problems would not have reached such proportions if financial institutions operating in the international markets had not taken excessive risks.

What is the IMF doing to contain the crisis? As soon as it was called upon, the IMF moved quickly to help Thailand, then Indonesia, and then Korea formulate reform programs aimed at tackling the roots of their problems and restoring investor confidence. In view of the nature of the crisis, these programs had to go far beyond addressing the major fiscal, monetary, or external balances. Their aim is to strengthen financial systems, improve governance and transparency, restore economic competitiveness, and modernize the legal and regulatory environment.
To provide the breathing space in which these efforts could go forward, of course, it takes time to turn around a situation where major structural transformations are called for. We had to marshal catalytic, but alas, sizable financial support, and convince public and private creditors to take their share in the burden of rebuilding the creditworthiness of these countries. I must also mention a much less spectacular, but equally important, effort, which is to help other countries that were being threatened with contagion to strengthen their macroeconomic fundamentals and their economic structures. This explains why, at the present time, 55 countries around the world are applying IMF programs and 28 more; a total of 83 countries are having more or less advanced negotiations with us: the effort at strengthening economic structures with IMF support is truly widespread in the world!

But in recent weeks, a new crisis—a crisis within the crisis—has emerged with the weakness of the yen. This new development reflects a serious lack of confidence, provoked in part by recessionary conditions in Japan, as well as the crisis facing its financial institutions. Clearly, the fall of the yen is not unrelated to the Asian crisis, but it could also seriously jeopardize the ongoing recovery of the economies that were hit first. And it adds to the market instability that is again affecting other countries within the region, as well as some countries, including Russia, outside it. Thus, Japan must now move aggressively and quickly to rehabilitate its banking sector, to adopt policies including reforms that would provide significant tax relief that ensure that fiscal stimulus is not withdrawn too quickly next year, and to open up and deregulate its economy. Here, too, I should add that the Fund is closely involved through its surveillance process.

Are we creating a moral hazard for borrowers and investors? As for borrowers, there is agreement, I believe, that no country would deliberately pursue reckless policies because it thought the IMF would bail it out in the event of a crisis. The political cost would simply be too great. As for investors, the debate is going on, and it is a healthy one. But even if I frequently play devil's advocate for myself and my colleagues in the Fund, I always end up concluding that these programs are hardly bailouts. Many private investors are taking heavy losses. With stock markets and exchange rates plunging, foreign equity investors have lost nearly three quarters of the value of their equity holdings in some markets. Many firms and financial institutions will go bankrupt, and their lenders will not be repaid. Moreover, earnings reports indicate that, overall, the Asian crisis has been very costly for many foreign commercial banks.

That being said, it is true that some short-term private creditors are being at least partly protected. Efforts should now be made to involve
the private sector in resolving both sovereign and private debt problems, not just sovereign ones. But please remember that, in any case, surely the global interest lies in containing and overcoming this crisis as quickly as possible.

Assessing the IMF
1. You can find the Web site of the International Money Fund at www.imf.org. Use this site to research the origins of the IMF and discuss to what extent you think the IMF is necessary in today's globalized economy.

2. Find out what the gold standard is and when the world went off it. How has the global economy been affected since?

3. Michel Camdessus is speaking on behalf of the IMF and in this capacity is representing the organization's interests. It is frequently the role of journalists to ask the questions that the members of the public cannot ask. Based on what he has said in this speech, what questions would you ask Michel Camdessus in order that he substantiate his points further?

Introduction
Watching For Weakness
Timeline of a Leader
Waiting in the Wings
The International Monetary Fund
Discussion, Research, and Essay Questions

Indicates material appropriate or adaptable for younger viewers.
1. At the end of his book *The View From the Kremlin* (1994, Harper Collins), Boris Yeltsin writes: "Sooner or later, I will leave political life. I will exit according to the rules, the Constitution, and the law. I would definitely like to make that contribution to the history of Russia, to set the precedent of a normal, civilized, orderly departure from politics. Leaders have never voluntarily parted with power in Russia. Two revolutions were associated with the abdication of Nicholas II. No Communist leader left by his own good will. . . . At the end of the millennium, however, even this fundamental trait in us will change." With reference to this statement, compose five questions you would ask Yeltsin if you had the opportunity to interview him.

2. Hold an informal class debate on the following resolution: Democracy is a luxury only the rich can afford.

3. In an article published in *Time* magazine on September 14, 1998, Mikhail Gorbachev, former president of the Soviet Union, wrote: "Russian politicians, as well as the West, must draw lessons from these past seven years. Do not force on a country policies that are alien to it. Do not conduct reforms by undemocratic methods, at whatever cost because this is a way to corrupt and kill reforms. . . . Russia's potential is strong enough, but it can be realized only if trust between society and government is restored."
Discuss the role of trust in this *News in Review* story and suggest how such trust could be restored in Russia today.

4. Write a short editorial commentary in which you assess Boris Yeltsin's legacy to the Russian nation and to the world.
5. There are a number of Canadian entrepreneurs who have taken advantage of the new capitalism taking root in Russia. Locate and research one of them and find out how they started their business and what changes they had to make to adjust to doing business in Russia. A good way to begin is to do a general word search using a Web browser. What words or word combinations would be most effective for such a search?

6. Discuss the term *global economy*. Suggest specific ways in which the economies of the world's nations are interconnected and interdependent. What effect might a global economy have on your life?

7. The Canadian dollar also had a rough ride during the summer of 1998. Find out what measures have been taken or are being taken to prevent the devaluation of the Canadian dollar.

8. Some financial analysts have stated that the IMF is creating more problems than it is preventing. Suggest why they might think this.


---

**Introduction**

**Watching For Weakness**

**Timeline of a Leader**

**Waiting in the Wings**

**The International Monetary Fund**

**Discussion, Research, and Essay Questions**

---

*Indicates material appropriate or adaptable for younger viewers.*