

Does IMF seek 'strong man' to loot Russia?

by Rachel Douglas

Former First Deputy Prime Minister Anatoli Chubais surged back into view as a key figure on Russian President Boris Yeltsin's team, in the aftermath of the June 20 ousting of three top officials—Gen. Aleksandr Korzhakov, head of the Presidential Guard; Federal Security Service chief Gen. Mikhail Barsukov; and First Deputy Prime Minister Oleg Soskovets. Chubais gave the main press conference on June 20, to recount how he worked with President Yeltsin's new security adviser and Security Council chief, former Presidential candidate Gen. Aleksandr Lebed, to engineer those dismissals. Chubais was one of the first crop of free market radicals, collaborating with leading Mont Pelerin Society figures in London and elsewhere since the mid-1980s, who took power with Yeltsin's appointment of the Yegor Gaidar government in 1991.

London and Washington commentators on the Russian elections were quick to equate the return of Chubais, with a new lease on life for "democracy." Profiling various groups in Yeltsin's entourage, the *Washington Post* of June 23 featured Chubais and his associates, who "think that if Yeltsin wins, there will be another chance for far-reaching democratic and free-market changes."

Under Gaidar, Chubais headed the State Committee on Property, in charge of privatization. He became first deputy prime minister in November 1994 (his successor at the privatization committee exposed massive looting of Russian industry, under Chubais); and, in April 1995, Russia's representative to the International Monetary Fund (IMF). Yeltsin removed him from the deputy premiership in January 1996, citing "mistakes," but Chubais went to work on Yeltsin's reelection campaign staff.

Based on several recent statements by Korzhakov, about the advisability of postponing the Presidential elections, many U.S. media dubbed Korzhakov as chief of "the hawks," whose removal cleared the way for smooth elections, Yeltsin's reelection, and an end to the war in Chechnya. At his June 20 press conference, Chubais painted Korzhakov et al. as virtual agents of Communist Party of the Russian Federation (CPRF) leader Gennadi Zyuganov, who is running against Yeltsin.

In opposition circles, however, the "force option" is considered to be still live. A non-CPRF Zyuganov supporter ob-

served, "Yeltsin has gotten rid of Grachov, Korzhakov, and Barsukov, who—for all their shortcomings—have, among them, been upholding the consensus not to use force in support of Yeltsin, no matter what the outcome of the elections. . . . Yeltsin absolutely needs the force agencies to be headed by people who would unquestioningly carry out his orders to seize power, in the event of his defeat."

EIR correspondent Roman Bessonov commented on the power plays around Yeltsin, "It is still possible that Yeltsin will lose the election. In this case, a reason may be found to proclaim the results illegitimate, and to establish 'order' in the country." Yeltsin's aide Georgi Satarov (who, before the first round, was beating the drums about CPRF paramilitary units preparing to seize power), devoted most of his June 19 post-election press conference, to detailed allegations about CPRF-run ballot-stuffing and other irregularities in the provinces. Evidently he was preparing the ground to charge "CPRF fraud," in case Zyuganov should win in the second round.

The 'authoritarian' option

But in a Russian economy further devastated by Yeltsin's spending spree during the electoral campaign, "democracy" is scarcely the top item on the radical reformers' agenda. Their preoccupation would seem to be, rather, to have enough political control—not necessarily "democratic"—to ensure continued debt collection and capital flight from Russia, which during the past four years has contributed an estimated \$300 billion income stream, through capital flight and unregulated physical commodities extraction, to maintaining the international financial bubble.

In a London *Sunday Telegraph* column back on May 21, 1995, Sir Peregrine Worsthorne laid out a policy for the Western world, of emergency forms of rule to enforce austerity measures. Worsthorne wrote, with the typical nastiness of his faction: "People who argue—and some of the wisest in the land, like William Rees-Mogg, most convincingly do—that the only future for this country, and for the Western world as a whole, is to take a veritable axe to the social services, not excluding those aimed at ameliorating the material condition of the underclass, never seem to spell out, or even to consider, the political price, in terms of loss of freedom, that might have to be paid for such economic realism. . . . Rigorous and sometimes cruel belt-tightening—particularly for the relatively defenseless—will be required. . . . Today's democratic body politics are unlikely to be able to swallow such bitter medicines without a desperate struggle." It may require "having to fall back on a form of authoritarian politics."

An analogous option is under intense discussion, as well, for Russia, which has already belt-tightened its way to a mortality rate exceeding the birth rate by 1 million persons per year. This discussion is most apparent not in the councils of the CPRF or some radical nationalist groups, but in the

circles around Chubais and Gaidar, and the IMF itself.

Gaidar now heads the Institute for Economic Problems of the Transitional Period, in Moscow, which collaborates closely with the Institute for Economic Affairs, a London center for the radical free market ideology of Friedrich von Hayek and the Mont Pelerin Society. Last December, his institute held a conference on the five years of reform in Russia. Present were Gaidar, Chubais, and other members of their original team, along with IMF and World Bank officials, and such leading British Mont Pelerinites as Lord Skidelsky.

The participants railed against the spectre of "economic populism" in Russia, namely the desires of military men, industrial managers, and working people, to save so-called "uncompetitive" (i.e., not export-oriented) industries. Most important, intoned the IMF's permanent representative in Russia, is for the Russian government "to fight inflation, and fight it again. There must be a very tight financial policy, in order to suppress inflation to as low a level as possible." Chubais, who ran the government's economic policy during 1995, patted himself on the back for the vaunted suppression of inflation, acknowledging that there was a slight down side: the 20% further decline in the Russian standard of living during 1995.

Yegor Gaidar argued at that conference, that the Russian "reforms" would have gone better, had there been an even more radical, sudden cessation of subsidies to industry and agriculture. The conference discussed this as a *political* problem: how to find a strong enough leadership, to enforce more such austerity. In the published proceedings, the Institute for Economic Problems of the Transitional Period prominently featured the intervention of a Moscow University professor, who said that the main block to full-scale implementation of such reforms in Russia, was their failure to accommodate the Russian cultural matrix. The "first dominant" in Russian culture, this individual said, is that "the state is the highest community, and at its head there always stood and stands a charismatic leader."

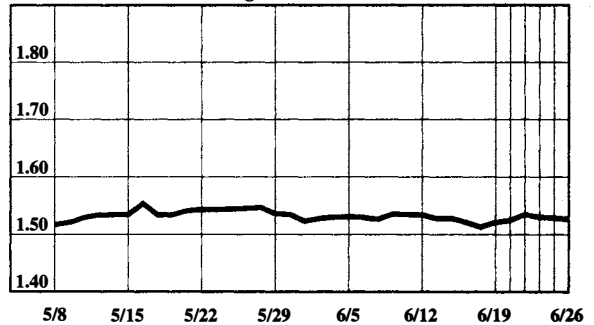
Also speaking was Vitali Naishul, a Gaidar-era economist who has praised von Hayek, but especially the so-called "Chilean model," and is reported, more recently, to have become an adviser to General Lebed. At the Heritage Foundation, the central Hayekian institution in Washington, there is currently much enthusiasm about "the new Lebed," who has emerged thanks to such advisers. A Russian, Heritage-linked activist observed that Naishul has been "looking for a Pinochet for himself," for some time. At the December conference, Naishul declared that "the fundamental question for the country" was creating the correct sort of state institutions, to implement any given economic policy.

Evidently, ideologues of the moribund British radical free trade system are making a dangerous miscalculation, that they can control individuals and institutions in Russia, in order for the looting to continue.

Currency Rates

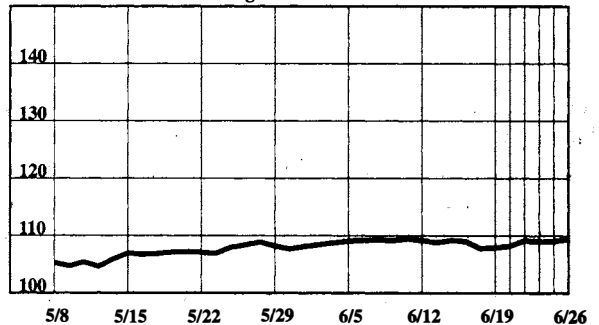
The dollar in deutschemarks

New York late afternoon fixing



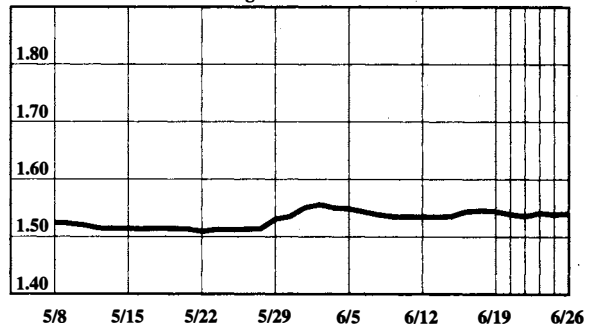
The dollar in yen

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

