

Washington gets first-hand briefing about the crisis in the East

by Jeffrey Steinberg

Three prominent Russian and Ukrainian economists and political figures brought the reality of the crisis in the East to Washington, D.C. on Feb. 19, at a policy forum sponsored by FDR-PAC, the Democratic Party political action committee established last year by Lyndon LaRouche. Before a stunned audience of diplomats and Washington policy-shapers, Academician Dr. Tatyana Koryagina, of the Russian Academy of Natural Sciences, and Natalya Vitrenko and Volodymyr Marchenko, Ukrainian members of parliament and founders of the Progressive Socialist Party, delivered a devastating account of the decimation of the physical economy and social fabric of their countries, as the result of the past five years' imposition of International Monetary Fund-directed "reforms." The forum was titled "Why IMF Policy for Eastern Europe and the Former Soviet Union Must Be Scrapped."

LaRouche sets strategic parameters

Before the Russian and Ukrainian experts spoke, the forum was first briefly addressed by *EIR* Contributing Editor Lyndon LaRouche. LaRouche named Britain's Margaret Thatcher, and the man she described in a recent autobiography as her "pet poodle," George Bush, as the two Western politicians most responsible for devising the "clinically insane strategic policies" of imposing brutal IMF austerity conditions on Russia and the other nations of the former Soviet Union, while simultaneously pushing for the extension of the North Atlantic Treaty Organization (NATO) into eastern Europe—a policy he characterized as "an irrelevancy with dangerous implications." After detailing the series of looming systemic collapses of the global monetary and financial superstructure, LaRouche said that the great challenge of the day is to "change from these lunatic policies to the safe ground of a new policy."

He cited the nineteenth-century American System political economist Henry Carey as the author of the present concept of the Eurasian Land-Bridge, which LaRouche has revived and has been actively pushing since 1989. Carey, based on the successful construction of the U.S. transcontinental railroad, with its accompanying development corridors, urged his co-thinkers in Europe and Asia to embark on a similar project, stretching from the Atlantic to the

Pacific coasts of Eurasia. Today, as in the days of Carey and Abraham Lincoln, it is in the vital strategic interests of the United States for such a Eurasian Land-Bridge project to move forward, as the cornerstone of a "new conception of security," LaRouche concluded.

A picture of devastation

Dr. Tatyana Koryagina presented a graphic picture of the utter destruction of the Russian economy, since the collapse

Warnings on the IMF's destruction of Russia

The current signs of impending explosion in Russia, in response to the destruction of its economy by the International Monetary Fund, became increasingly visible over 1996, as leading figures warned about the consequences of IMF policies, and began an open debate on the policies needed to replace them, including the policies of Lyndon LaRouche. We note some highlights here:

April 1996: LaRouche participated in a roundtable discussion sponsored by the Institute for Socio-Political Research of the Russian Academy of Sciences, the Free Economic Society of Russia, and the Schiller Institute for Science and Culture. The event, held in Moscow, was chaired by Leonid Abalkin, head of the Institute of Economics of the Russian Academy of Sciences. LaRouche stressed the ongoing world financial disintegration, as well as the specific policy questions involved in reviving the economy.

April 1996: Sergei Glazyev, a graduate of the Central Economics and Mathematics Institute (CEMI) of the Russian Academy of Sciences, a leading opponent of IMF reforms, and a sometime member of the Parliament and government since 1991, issued a report to CEMI's Scien-

of the Soviet Union. Dr. Koryagina is currently a member of the Scientific Research Institute of the Ministry of Economics. During the 1980s, she was a leader in the movement for economic reform, and, as the result, was placed on the Commission on Economic Reform, established by the U.S.S.R. Council of Ministers, during 1987-88. The following year, she was elected to the Supreme Soviet of the Russian Republic, and was backed, in 1990, by Boris Yeltsin, for its deputy chairmanship. By 1993, however, she had broken with Yeltsin, and was inside the White House (i.e., parliament building in Moscow) when it was stormed. In 1996, after being elected to the Russian Duma (lower house of parliament), Dr. Koryagina was a lead author of the economic program of the opposition candidate for the Russian Presidency, Gennadi Zyuganov.

She began her description of Russia's economic plight by noting, ironically, that at least two of the most well-known Russian advocates of IMF programs—Yegor Gaidar and Gregori Yavlinsky—were former mental patients. She pointed out that, during the first five years of the so-called economic reforms, no leading figures in Russia were aware of the devastating consequences that the policies of Milton Friedman et

al. had inflicted on countries in Ibero-America and elsewhere. Nevertheless, she herself had publicly assailed the Harvard University-designed Yavlinsky "500 Day" reform plan, predicting, in 1990, that the word "democracy" would soon be turned into a curse word throughout the East, as the result of the murderous policies being put forward by some of Russia's leading self-proclaimed democrats.

Dr. Koryagina explained that, under the IMF-directed Gaidar reforms, the number-one goal was to reduce inflation from its 1992 level of 2,600% at the consumer level, and 3,300% at the wholesale level, down to 25-30%. Indeed, by 1996, inflation had been driven down to 22%—but at the cost of a complete drying-out of credit, triggering a total collapse of production, a dramatic collapse in wages, and arrearages in wages and pensions, as of Dec. 20, 1996, of 47 trillion rubles. Today, the average employed full-time worker receives \$150 per month in wages. And this figure does not include unpaid back wages!

In the agricultural sector, farmers were forced to sell off their livestock when they ran out of money for feed. However, there were not sufficient refrigerated storage areas, so that in many instances, cattle were slaughtered and the meat just

tific Council, entitled "The Theory of Economic Growth in a Transitional Economy." The paper scathingly attacked the destruction of the Russian economy under "the ideology of radical liberalism."

October 1996: Prof. Lev Makarevich, a leading Russian expert on finance, made a presentation to a conference of CEMI, in which he exposed the looting created by the IMF's imposition of financial "liberalization" in Russia.

October 1996: Economic desperation in Russia began to lead to strikes, and dramatic suicides by scientists who are no longer being paid.

November 1996: George Soros, interviewed in France's daily *Le Monde* of Nov. 2, warned that Russia is in general bankruptcy, as a result of "savagely capitalism," and could soon explode.

November 1996: Russian Defense Minister Gen. Igor Rodionov warned on Nov. 12, according to the London *Independent*, that "if extreme measures are not taken to reform the Army in the near future, the consequences for the state could be catastrophic." He was referring to the desperate plight of soldiers who had not been paid for four months.

December 1996: Rodionov, in an interview with a Russian daily, said that funding shortfalls have left Russia's soldiery impoverished and humiliated. He warned that many military families were literally starving, and that some soldiers have been reduced to selling their blood in order to buy necessities. His assessment was backed up

by Gen. Igor Sergeyev, commander of Russia's strategic nuclear forces.

December 1996: The Institute for Social and Political Research of the Russian Academy of Sciences published the full proceedings of the seminar held with LaRouche in April 1966.

December 1996: CEMI published "The Path of Russian Reforms," a working paper by leading Russian economists, who documented the disaster of IMF reforms, and proposed measures to restart production (published in *EIR*, Feb. 21, 1997).

January 1997: Gen. Aleksandr Lebed, on a visit to Germany, predicted disaster if current policies for Russia are continued, and cited the early-twentieth-century Russian Prime Minister Pyotr Stolypin, and turn-of-the-century Finance Minister and Prime Minister Count Sergei Witte, as models for reform.

February 1997: Gen. Lebed, in an interview with the Spanish newspaper *El País* on Feb. 3, warned that if serious political and economic steps are not taken by the spring, when the crisis will worsen and reserves will have been depleted, then the situation could become explosive.

February 1997: Economists from the Russian Academy of Sciences joined members of the Conference on Industrial Policy in Russia, in a roundtable on how to get Russia's industrial base back on its feet. Major presentations were made by Academicians Dmitri Lvov and Leonid Abalkin.

Imminence of market meltdown sets off alarms

In recent days, as the Dow soared past 7,000 and stock markets from London to Frankfurt follow into the stratosphere, a growing number of voices are warning that the international financial bubble could rapidly collapse. "By all traditional measures of stock value—price to earnings, dividend yield—these markets are way overheated. The only question is when the liquidity flowing in will dry up," said S.J. Lewis, a City of London financial strategist.

Lewis's comments were underscored in a Feb. 17 article in the *International Herald Tribune*, which cited New York financier Lawrence Tisch. "If you look at charts of the last six months in the U.S. stock market, it rises at an ever-increasing rate in a parabolic curve. We have seen that shape curve twice before, in the U.S. in 1929 and in Tokyo in 1989," Tisch was quoted.

The following day, amid news of the Dow Jones Index's latest record high, Jürgen Jeske, the chief economics editor of the *Frankfurter Allgemeine Zeitung*, the conservative German newspaper of record, wrote a rare, signed, page-one piece under the headline, "Stock Market Fever." Analyzing the current Wall Street arguments that the trend will continue upwards unabated—the so-called argument

that some make, "why this bubble is different from all other bubbles"—Jeske concluded that this bubble, in fact, is not any different." Such optimism was found in the earlier phases of the stock market as well, not least just prior to the great crash at the end of the 1920s. Stock market moods were and remain mass psychology phenomena, which can rapidly shift, as the Mexico peso crisis showed," he said.

Today, which of any of hundreds of nominal triggers could detonate such a global systemic meltdown, is impossible to forecast. It could be Japanese banks, as hinted by the fact that Japanese officials have been forced repeatedly in the past week to proclaim their willingness to bail out the country's (and the world's) 20 largest banks, amid rumors of looming bank failures. Or, it could come from the explosive social unrest sweeping across Europe, as governments impose the most savage budget austerity since the 1930s, creating record high unemployment. Equally a threat, is the growing possibility that a new European currency crisis could erupt, one far more serious than that of 1992-93. Central bankers of the Bank for International Settlements, for example, are worried sick about the danger of a major financial derivatives counterparty somewhere in the global payments system going under, triggering a chain-reaction crisis in the \$1.3 trillion daily interbank settlements system. All are merely indicative of the present state of what leading bankers at the recent Davos World Economic Forum termed "financial system fragility."—*William Engdahl*

rotted; and large amounts of milk from cows that were kept alive, had to be dumped because there was no way to get it to market.

Under these circumstances, Dr. Koryagina asked, "What do people do?" They turn to the underground economy for their survival. The social consequences of the total collapse of the above-ground productive economy, as the result of Russian policymakers accepting the IMF diktats, has been an amazing jump in black market criminal activity. Criminals control 45% of Russia's Gross Domestic Product, Dr. Koryagina reported. In the past several years, 600 bankers were assassinated. There is a flourishing "organ harvesting" industry in Russia, in which corrupt and desperate surgeons remove hearts, kidneys, and blood to sell on the international black market. She reported that, during the war in Chechnya, the corpses of Russian soldiers and Chechen rebel fighters were found with some of their organs removed by looters.

Dr. Koryagina prefaced the remarks of her two Ukrainian colleagues, by warning the audience that if anything, the Ukrainian situation is far worse than that of Russia.

Leaders who are looters

Dr. Natalya Vitrenko, who served in the Ukrainian Parliament as a subcommittee chair of the Commission on Economic Policy, and who gained notoriety for her public clashes with "shock therapist" Jeffrey Sachs, began her remarks by quoting from the speech delivered recently at the Davos, Switzerland World Economic Forum by Ukraine's President Leonid Kuchma, in which he, incredibly, claimed that the economy was prospering under the reforms, and that there had even been a slight growth in industrial production. Dr. Vitrenko documented that the President was not only lying: He was trying to conceal the fact that he has personally profited off of the IMF's looting of his nation.

She pointed, with pride, to the fact that the Ukrainian workforce enjoys the highest level of education of any country in the world. Some 974 out of every 1,000 workers have received higher education. Yet, under the IMF reforms of the past five years, Ukraine's GDP has collapsed at a faster pace than any nation in history, falling by 68% over the past several years. She catalogued a 90% collapse in investment in the vital machine tool and tractor production sectors. Out of a

total workforce of 22 million, over 8 million jobs have been lost since 1990. Instead of total food self-sufficiency, Ukraine is now a net importer of high-priced, low-quality food from abroad—despite the fact that Ukraine has the finest black soil in the world.

She presented detailed statistics, showing that two-thirds of the GDP of her country is currently in the black market. “We have seen dangerous, monstrous criminal growth,” she reported. “The President and the majority of the Parliament took IMF money and political support and implemented their recipes. The IMF hooked Ukraine on debt by 1992,” she recounted. “And now, every year, President Kuchma goes to Davos to report to his masters on the progress.”

Proving that Dr. Koryagina’s comparison of Russia and the Ukraine was correct, Dr. Vitrenko offered detailed charts showing that 71% of Ukraine’s employed labor force earns an average of \$25 per month. Families receiving assistance from the state receive only one-third of the minimum wage—an average of \$3 per month for a two-person household. “How do people live?” she asked. “They go into the black market, or they go abroad to sell their labor power there.” The latest atrocity, Dr. Vitrenko noted, is that the government, at the behest of the IMF, is now moving to increase the retirement age for men from 55 years to 65 years. Yet, today the average male life expectancy is only 62 years. That’s one way to avoid paying pensions, she observed wryly.

IMF shaped Ukraine’s Constitution

Volodymyr Marchenko filled out the horror story that is today’s Ukraine, by giving the audience a detailed account of the new Ukrainian Constitution, which concentrates so much power in the hands of the President, that legal impeachment proceedings—certainly warranted by Kuchma’s treasonous collusion with the IMF—are an impossibility. This, he said, is the key to the IMF’s take-down of the Ukrainian economy. He cited public statements by Dr. Vitrenko, labeling the day that the new constitution was enacted as “the blackest day in Ukraine’s history.” The new Russian Constitution, he reminded the audience, was imposed by Yeltsin’s tanks firing upon the White House in October 1993. In Ukraine, the President threatened to shut down the Parliament and abolish all political parties if the Constitution was not ratified.

In response to questions, Dr. Koryagina summed up the message which she and the other speakers had traveled to Washington to deliver: The IMF policies have created social stress, destroyed the family structure, triggered a meteoric rise in the rate of abortions, and driven the death rate above the birth rate. Yet, such quantitative descriptions are inadequate. “When a nation is destroyed and subverted, it loses all of its humanity. The IMF is guilty of crimes surpassing those for which the Nazis were condemned at Nuremberg. The international financial oligarchy behind the IMF is more terrible than the fascists.”

LaRouche on justified warfare

The following exchange took place at the President’s Day conference of the International Caucus of Labor Committees and the Schiller Institute, on Feb. 17, in Reston, Virginia.

Q: I came to Canada in 1989, as a political refugee. Bulgaria is an extreme example of the implementation of the International Monetary Fund policy, which has already destroyed many eastern European countries. Bulgaria is now undergoing the biggest destruction since the First World War. Many citizens are asking themselves whether they will die from starvation, or from the cold. There are many suicides in Bulgaria right now. The country might be on the brink of bankruptcy right now.

What can we do to change the situation? There are going to be elections in about two months from now, to protect democracy. What would be possible? Would it be possible to inform the politicians in Bulgaria, mobilize them, inform them of the ideas of the Schiller Institute, and this sort of thing?

LaRouche: There are indications; we have been contacted by some people on this, and there are indications, of course, that our work and our views in these matters are known, among some political circles in Bulgaria. I’ve not had a chance to talk to anyone from there, in the period of this crisis, because my own schedule got in the way.

But, in general, what we’re looking at, is the reality of the world today. For example, in the United States, to make a comparison between individual life and life of nations; many times in the United States today, children willfully kill their parents. They kill their parents for reasons of greed or for reasons of ideology. They are conditioned to believe, as if they were hypnotized, that it’s the right thing to do. And so, they use their influence to cause their parents to be killed, or their death to be accelerated.

There are children who go to induce their parents to sign a “Do Not Resuscitate” order—murder. There are people who die in the streets, because they don’t have the right identification and credit cards to be admitted to care. There are people who die, because somebody decided to close down a hospital, which meant that there was no hospital available to treat them when their lives could have been saved, and they were in dire distress.

These things, and similar things, are the commonplace, characteristic realities of life in the United States today. *And, in Washington, on these issues, nobody, but almost nobody, gives a damn.*