

The task of politicians, is to provide a mechanism for carrying out the will of the people, because democracy is not so much the process of democratic elections, as the process of monitoring the activity of governments, Presidents, and Parliaments, and the extension of the mechanism of political supervision of the higher agencies of power. Only this can sustain an economic reform policy that is to the benefit of the nation.

From The Question Period

IMF, Soros death count raised at policy forum

These are excerpts from the FDR-PAC policy forum question and answer session on Feb. 19, on eastern Europe and Russia.

Helga Zepp LaRouche: We have heard that the reform policies have actually caused a collapse in the demographic development of Russia. Could you give us figures: How many people have been killed by these policies? And, second, could you comment on the dollarization in the economy?

Natalya Vitrenko: The question mentioned Russia, but I understand that the whole situation, also in Ukraine, is of interest.

In 1990, the population of Ukraine was approaching 52 million. At the end of 1996, there were 51 million people in Ukraine. That is, we have already lost 1 million. According to the government's plans—and we were given the calculations on this in the Parliament—a continuation of the reform policy will lead to a further reduction in the population of Ukraine, by the year 2000, by another 1.2 million people. Comparing this with somewhere in the United States, this would be equivalent to the population of the entire state of New Hampshire. The government quite calmly handed out these prognoses, which predict a fourfold increase in unemployment between 1996 and the year 2000, while the population is to fall by 1.2 million.

Based on the results of 1996, mortality exceeded the birth rate in Ukraine by 375,000. The average life expectancy has fallen from 75 to 71. Particularly terrible is the collapse of the birth rate, and mass abortions. Ukraine is first in the world in abortions.

Concerning dollarization of the economy: When Gaidar came to visit us and held a press conference at the Parliament of Ukraine—a briefing on how excellent his monetarist devices are—I asked him a question: “Doesn't it seem to you, that the growth of dollarization in both Russia and Ukraine, denotes a loss of sovereignty? Have we not shifted over to servicing the United States, which is suffering its own depres-

sion?” Yegor Gaidar began to deny this very vehemently, but so unconvincingly, that our press, which are by no means sympathetic to our positions in Parliament, nonetheless acknowledged that Gaidar's arguments were absolutely unconvincing.

The level of dollarization of the economy is constantly growing. In 1995, it was 32%, and by 1996, 47%. According to economists' calculations, we had helped America—by the fact that the dollar circulates in Ukraine—we have provided America \$10 billion in “emission revenues,” what is earned by printing those dollars.

Speaking in Davos, our President also counted among his successes, the implementation of a monetary reform. It was implemented in October 1996, in a way that totally contradicted what we recommended and international experience—even just the example of Ludwig Erhard in West Germany. A very primitive redenomination occurred: five zeroes were knocked off. What this effectively did, was legalize speculative capital, without any control, without any reduction factor; everything was just exchanged for the new bills.

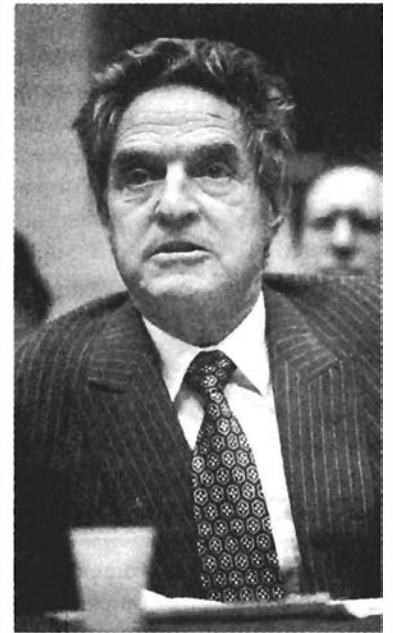
Conducting the monetary reform in that way, missed the chance to improve the financial system. There is no ban on the influx of foreign currency, and some of the IMF credits are used for interventions on the currency markets to provide artificial support for the hryvny [the Ukrainian currency]. If this drug addict's needle were removed, the hryvny would collapse.

Social damage from IMF policies

Tatyana Koryagina: We are trying to calculate the social damage from the policy of the IMF. There are definitely no precise figures; these are estimates. If we talk about the potential number of people who could die, as a direct result of the IMF reform policy, the most conservative estimate for Russia, would be that 2 million people have died already. But, besides the physical deaths, there are also a tremendous potential losses, which are now latent in society, having to do with stress, potential nervous breakdowns, the virtual cessation of family formation. There has been an enormous increase in the number of abortions in Russia. We currently have a project, which is attempting to make quantitative estimates of these results. Potentially, it may be possible even to express this in economic, and monetary, terms.

But, still, I don't think any monetary expression will convey the true scope of the losses, because when a nation is being destroyed, when the basis of whole peoples is being subverted, this is a loss for all of world civilization, for humanity. And, therefore, I think that the IMF can be brought to justice with even stricter responsibility than was applied at the Nuremberg trials. After all, fascist Germany was engaged in an openly declared war, as a state, and they did not conceal their cannibalistic philosophy. They didn't kill people in their apartments with a slow death, but they set up concentration camps. That could be ascertained, and physically confirmed.

I believe that the IMF, this international financial oligar-



“The general curriculum in Russian schools is largely utilizing textbooks published with money paid by George Soros. Basic science subsists on Soros’s money. Scientists at various institutes of the Academy of Sciences compete for grants from the Soros Fund. He pays for their trips abroad, mostly for members of the intelligentsia—those who exert the greatest strategic influence on society.” Russian students and speculator George Soros (right).

chy, is a kind of global phenomenon, which is more terrible than fascism. And, I think that even in the Schiller Institute, which is the most advanced in understanding the qualitative nature of fascism, of this policy, you have not yet investigated all the relevant parameters.

Dollarization a product of the criminal economy

On the dollarization of the Russian economy: Theoretically, there shouldn’t be any, because it’s officially against the law to circulate foreign currency in Russia. That’s in the legal economy. The most that’s allowed, is to purchase foreign currency, and for banks or enterprises to pay foreign contractors with foreign currency. For the enterprises, this is all recalculated in rubles.

If we talk about individuals, the official statistics, which omit the black market, show that during 1994, the Russian population bought \$25 billion. In 1995, it was \$30 billion. In 1996, there was a steep jump to \$47 billion purchased by Russians.

What’s behind this? What’s going on with the Russian population’s purchase of dollars and other foreign currency?

As I told you, the majority of people don’t have money. They don’t get paid. Thus, these figures reflect the super-high incomes of those who are directly involved in criminal business, or who provide services for this elite, for the effectively criminal economy.

There are some estimates by experts on transfers of foreign currency abroad. These are cumulative figures for the 1990s. The most conservative estimate is \$100 to \$120 billion.

Less conservative estimates approach \$300 billion. But, there are some estimates which put this in the range of \$700 billion to \$1 trillion. Here, a very interesting phenomenon comes up for study, which is that such quantities of foreign currency shouldn’t even have been in Russia in that period of time.

When we study different sub-sectors of the criminal economy, we have a sub-topic on “counterfeit.” The law enforcement agencies have assembled data, to the effect that up to 30% of the dollars circulating in Russia are counterfeit. Entire industrial shops for this, with such a quality product that even specialists had difficulty identifying it, were uncovered in Chechnya. In particular, one of the military operations during the Chechnya War, around a certain town, was connected with the discovery of one of these laboratories, this shop for counterfeiting money. These counterfeit dollars circulated not only in Russia but into the other CIS [Commonwealth of Independent States] countries, and eastern Europe, and some of it to Asia. There were also large flows of counterfeit dollars from Poland.

There are also data that show that a high volume of currency arrives as contraband—now, I’m talking about real money. This includes illegal shipments from the United States. In particular, there is evidence of illegal shipment of dollars from the U.S. Federal Reserve System, into Russia.

You have a better overview of cash circulation worldwide. The figure of \$1 trillion from Russia is of a high enough order, to be measured on a world scale.

In order for you to understand how economic activity is proceeding in Russia, let’s take the example of banks and insurance companies. I didn’t give you the official wage level,

but the average is 1.6 million rubles per month [\$320]. This is the money that, officially, passes through various institutions into the banks or insurance companies. We have a tax on wages, with a withholding system. Enterprises conceal and try to understate the volume of wages paid. Enterprises that have a large cash flow often pay salaries in envelopes, under the counter. Usually, there are not rubles in those envelopes, but, most frequently, dollars.

I can cite, for example, my colleagues, who left the Academy of Sciences and went to work for major banks. Officially, their wages are at a level of \$300 or \$400 [per month]. Off the books, they receive \$3,000 in their envelopes. This is while those of us working in science, with all our degrees and years of experience, receive something in the vicinity \$100 or \$150. Therefore, naturally, such highly paid working people can travel. Our research shows that almost all the revenues of travel agencies are from private individuals. It's the same thing with insurance companies. All the books are kept, in reality, in dollars. Only a small volume of activity is shown in rubles.

In providing goods and services for this relatively small, high-income group—if, for example, you go to have your car serviced, you'll never be told that the price for the repairs is, say, 250,000 [rubles]. The man will say, right off, "\$50." To build a house: How many dollars? To buy or sell a car: How many dollars? Therefore, the elite economy is almost totally dollarized, illegally.

As for what's in the legal sphere, this is also infected with dollars, through bribe-taking; bribes are customarily in dollars. These funds not only end up in the West, but some are also kept "under the mattress," as we say in Russia.

The huge jump to the level of \$47 billion, purchased last year at legal points of exchange, should be at least tripled, in order to estimate how much was obtained in all. People who have very high incomes, even if they are calculated in rubles, can only buy dollars illegally. As of last year, you have to show your passport when purchasing foreign currency.

Therefore, officially we do not have dollarization of our economic operations. Unofficially, we could be called a 51st state of the United States. We have *a lot* of American dollars in Russia.

Soros a 'new Mephistopheles for Russia'

Diana Terán: I have been *EIR*'s correspondent in Argentina for five years. I have seen the enormous growth of the influence there of an individual, whose name was mentioned at this conference, namely, George Soros. George Soros is now the largest landowner, of productive land, in Argentina. He says that he doesn't care about producing food, but only to derive profits. He is also planning to purchase the main oil company in Argentina, IPF. At Davos, he proposed to the Argentine minister of finance, to insure all mortgages in Argentina. Therefore, as Ibero-Americans we are very concerned about the influence of this person, who is also known

as one of the supporters of such organizations as the Andean Council of Lawyers and the Council of Coca Producers of Peru, Bolivia, and Colombia, in financing the campaign for the legalization of narcotics.

My question is, what is the influence of Soros in your country?

Koryagina: George Soros has enormous influence in Russia. He began to make open visits, visits which the press reported on, in the late 1980s. Now, in effect, the general curriculum in Russian schools is largely utilizing textbooks, published with money paid by George Soros. Basic science subsists on Soros's money. Scientists at various institutes of the Academy of Sciences compete for grants from the Soros Fund. He pays for their trips abroad, mostly for members of the intelligentsia—those who exert the greatest strategic influence on society.

George Soros has huge influence in the financial sphere. It is difficult to make a quantitative estimate of that influence, because there are some data, showing that a large number of investment companies and foundations are fronts, behind which stand Soros and his people. In particular, when we had the event known as Black Tuesday [Oct. 11, 1995] two years ago in Russia, there were indications that George Soros's money was involved in that financial crisis.

Since George Soros is a key figure for the IMF and World Bank, we should also note his huge influence on the Russian government. In February and March of last year, the Russian government signed an agreement with the IMF. Natalya Vitrenko described the analogous document for Ukraine. In our case, the demands entailed the privatization of the natural monopolies—in particular, the railroads. If the rail system is dismembered, it will be possible to say that all the preconditions have been met for Russia to fall apart. In that case, financial flows will circulate within more narrow territories. Since the majority of the money will continue to be speculative capital, George Soros should be listed as the third figure, after Bush and Thatcher, among the destroyers of Russia.

At that point, it will have to be said that his activity led to the dismemberment of Russia, and that he will have subverted, through education, our cultural roots. This element should be specially noted. Neither Bush nor Thatcher achieved such a depth of negative influence.

Soros, therefore, is a new Mephistopheles for Russia in the 1990s.

Vitrenko: I'll add that this is the case, not only for Russia, but for Ukraine. I met George Soros in 1992, at the same time I had my argument with Jeffrey Sachs. George Soros was presenting the idea of divesting industrial firms of their social infrastructure. It was a specific feature of the Soviet economy, that, through the industrial branch ministries, the enterprises were responsible for building social infrastructure.

Since Soros acts in a more scoundrelly fashion than many people, he did not speak openly at the conference. He set up a lavish banquet spread, and invited key people to attend.

Then, while hosting people at this lavish table, he let them know what they should do. People could see that he is a man of means. Thus, in 1992, he put forward this idea of how to save the enterprises, how to lower prices. The costs of maintaining the social infrastructure had been incorporated into the cost of production.

I, of course, immediately spoke to rebut him. I had defended my doctoral dissertation, on the idea of preserving the social sphere by the enterprises' bearing responsibility for it. But, I could see the extent to which Soros had bought off the Academy of Sciences of Ukraine, key scientists, politicians, the extent to which he had built himself, so to speak, a reserve airport in Ukraine. I understood then, that when Ukraine's property and land would be put up for sale, just as in Argentina, he would become a major latifundist.

Koryagina: May I add something? It was very useful for me to hear what Natalya Vitrenko said just now. I did not know, that the idea of liquidating the social infrastructure, at enterprises, had come from Soros. In Russia, Grigori Yavlinsky argued on behalf of this theory. It was part of the experiment, field research, he carried out in Nizhni Novgorod, under Governor Nemtsov (another one of the young men Soros counted on).

My observation is that George Soros will *not* be a latifundist, neither in Ukraine nor in Russia. The maximum that he'll earn, is to be driven out of the country. The situation that has

come about may be resolved, to some degree, by a social explosion. There may be various levels of intensity in various regions, but that is the only way it will happen.

To impose upon people, who lived under quite different conditions, such a new way of life—we had many shortcomings in the old times, but we did not know destitution. We didn't have officials who could simply spit on everybody. The question arose of where people should complain, in the regions, or directly to Moscow. Strange as it might seem, the *nomenklatura* feared those complaints. All of this is still alive in people's historical memory. Therefore, people are living through this situation, gritting their teeth. They will not tolerate the appearance of some Russian latifundist, and a foreigner, even less so.

'Red roosters' for Soros

I can make another forecast. If he tries to move here, he will receive "red roosters," such as we had at the beginning of this century—[the flames] when landowners' estates were burned out. When the fire brigade arrives at the pile of ashes, they will also be glad. The same thing will happen with the police. These people are crazy, if they think they can just barge into another country with such thievery. You, in America, are the docile ones. . . . We've only stayed quiet about what's being done to us, for five years. But an answer will come from Russia soon.

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