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## Interview: Dr. Tatyana Koryagina

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# 'Russia is on the verge of a revolution against speculators'

*Tatyana Koryagina is an Academician of the Russian Academy of Natural Sciences, and an economics adviser to opposition deputies in the State Duma of the Russian Federation. In the 1980s, she was a leader in the movement for economic reform, serving on the Commission on Economic Reform under the U.S.S.R. Council of Ministers. A supporter of Boris Yeltsin in 1990, she broke with him over Yeltsin's adoption of "shock therapy" for the Russian economy. In October 1993, she was inside the Parliament building, when it was besieged and stormed in the wake of Yeltsin's abolishing the Constitution and Parliament. In 1996, Dr. Koryagina was a lead author of the economic program of opposition Presidential candidate Gennadi Zyuganov.*

*In April 1996, Tatyana Koryagina was a participant in a seminar at the Free Economic Society in Moscow, chaired by Academicians Leonid Abalkin and Gennadi Osipov of the Russian Academy of Sciences, where Lyndon LaRouche spoke on "Russia, the U.S.A., and the Global Financial Crisis." Dr. Koryagina's briefing to a February 1997 FDR-PAC policy seminar on the need to scrap International Monetary Fund policies in Russia and Ukraine, was published in EIR on March 14, 1997, under the headline, "U.S. and Russia must Ally against IMF Immorality."*

*Dr. Jonathan Tennenbaum interviewed Dr. Koryagina on Sept. 1.*

**EIR:** How do you see the present economic situation in Russia?

**Koryagina:** I would note, first of all, that in Russia there are no reliable statistics on the economic situation. The primary reason for this is that the government is no longer in charge of the enterprises, having chosen, for political reasons, to carry out very rapid privatization. As much as 80% of the national economy is now in the private sector, and almost the entire private sector, we can say about 100% of it, fails to provide accurate information to the government.

A second factor is that, in view of the collapse of domestic production since 1992, our Goskomstat [State Statistics Committee], following the recommendations of international organizations such as the United Nations statistical commission, began to include the black, or "shadow" economy in its macroeconomic indicators. As of 1997, we find that as much

as one-fourth of GDP is from the shadow economy. And here, we have only estimates, rather than concrete statistics from enterprises. In actuality, the shadow economy is even bigger than Goskomstat estimates it to be. We estimate it to be as high as 50% of GDP.

The "black" economy is what we usually call out-and-out criminal economic activity, but there is also the "gray" economy—economic activity that is just "off the books." Because the enterprises in the shadow economy pay no taxes, the inclusion of the shadow economy in GDP leads to a situation where the tax revenue base is chronically overstated by the government. Under current economic policy, the shadow economy is not brought under the law. It remains in the shadow. Now, with the economic crisis, it is beginning to grow even larger.

All of this has an impact on the level of manageability of the economy.

As for what enterprises really can do in the economy, the situation now is not simply disastrous; it is desperate. The central government has almost no control over the real economy. But, the government indirectly exerts a very strong influence, by means of its economic policy. Its economic policy, in turn, is based on the theory of economic liberalism. Economic liberalism is not a theory of the creation of anything, but rather a theory of the destruction of the real sector of the economy.

Thus, by carrying out a policy of economic liberalism, through the Central Bank and other government agencies, the government loses control over production, to an even greater extent. The real sector of the economy is being destroyed, while everything goes into the domain of financial speculation. Finance, that is, the entire banking and credit system, has begun to exist in total isolation from the real sector of the economy. There is no investment in the real sector. They just play the markets.

We have to take into account that economic liberalism, unfortunately, has also dominated the entire world economy for a long time. It has begun to retreat in the very recent period, as more and more serious financial crises broke out in the global financial system. A struggle began among, broadly speaking, various economic schools. Individual statesmen have engaged in this combat; in particular, the Malaysian

Prime Minister is openly fighting the economic doctrine of the International Monetary Fund (IMF), which is a component of that liberal policy.

**EIR:** It seems that we have come to the end. . . .

**Koryagina:** I think so. I think the world economy has reached the point where—if economic liberalism is a dead-end street, it has hit the concrete wall at the end of the street. Either this liberalism will explode the entire economy and then there will be global chaos, which will be economic fascism. A “New World Order” is economic fascism, when a huge number of people are thrown into desperate poverty, and only the speculators make any profit. Or, I think that already—since the theory described here is economic fascism—people, many leaders and statesman, will resist, and then the population also will resist.

We are on the verge of a particular sort of anti-financier revolution—a revolution against financial speculators. This revolution, I think, will very rapidly assume certain conscious forms, in which theory is united with actions.

**EIR:** What about the political situation in Russia?

**Koryagina:** Spending from the national budget has effectively collapsed. Winter is drawing near. We are, after all, a northern country, where it is very dangerous for electric power to be cut off. In the northern regions, where food shipments have not been brought in, this means famine. The weather has also been bad this year, with the drought. We will have very big losses in the harvest.

**EIR:** It is commonly estimated that Russia imports 60% of its food.

**Koryagina:** Well, that figure is certainly making the rounds in our statistics, but I know that some experts have distanced themselves from that figure, and cite a figure of 30 to 40%. But it is generally known that in Moscow, about 80% of the food is imported.

**EIR:** Nevertheless, if under conditions of financial crisis, that 30-40% no longer is supplied, then this is dangerous.

**Koryagina:** It is a violation of economic security. This is really true.

**EIR:** What was the reason for the change of policies by Yeltsin? Last week, under Kiriyenko, a program of measures was worked out to address the economic and financial crisis. Why wasn't it carried out, but Chernomyrdin was brought in?

**Koryagina:** Why was Chernomyrdin brought back? The point is, that to the surprise of many, Kiriyenko had adopted a number of tough measures in his anti-crisis program, which were part of our program, the opposition's program. This was the case, in some sense, for what was done with the [partial debt payment] moratorium, which was done so that the financial speculators would be the first to bear the burden of the

crisis, and not the population, whose wages and pensions were not being paid. We have a more drastic variant, but essentially Kiriyenko did take those elements from the program of the opposition.

**EIR:** Was there a realistic chance for implementing those sorts of measures?

**Koryagina:** Because of the personal weakness of Kiriyenko, he had almost no chance to carry out this program. If the opposition came to power, such as those leaders whose economic program we have authored, then it could be done. I think that in the future it can be done, in the near future.

The return of Chernomyrdin is a victory for the West, and Chernomyrdin entirely went back on the moratorium Kiriyenko had signed off on, except Chernomyrdin has no money. The Central Bank has no money. Therefore, Chernomyrdin could not meet the desires of the West, on those points that were the reason for his being brought back.

In just a few days, the State Duma will again consider Chernomyrdin's nomination, and I think they will reject him again. Yeltsin will propose him a third time, after which he will move to dissolve the Duma. Under the Constitution, however, the Duma cannot be dissolved, because the process of impeachment of the President has been launched.

**EIR:** Could this really happen? It has been under discussion for a long time.

**Koryagina:** The impeachment process is already under way. There is a special parliamentary commission on impeachment, functioning in the State Duma. The Duma cannot be dissolved, during an impeachment proceeding. Now, Yeltsin could opt for an anti-Constitutional state.

**EIR:** This political conflict could last a long time. In the meantime, what will happen with the Russian economy?

**Koryagina:** The greatest danger, in this period, is the collapse of the banks. There are already cases, where banks are unable to execute the orders of their clients.

**EIR:** Russian radio reported, that many people have been unable to receive their wages, because wages are paid out through banks.

**Koryagina:** This will be tested by Sept. 10. A large number of companies pay wages at the beginning of the month. At that point, it will be confirmed, to what degree the banking system has gone bankrupt.

**EIR:** What will people do? Is there a possibility of a social explosion in Russia now?

**Koryagina:** Probably the greatest possibility, in all these recent years. A nationwide strike has been scheduled for Oct. 7.

**EIR:** Do you think it will draw support?

**Koryagina:** It may have very great support. Take the situa-

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tion in Moscow. In the past, it was as if Moscow were outside of Russia. Russia was in poverty, receiving no wages, while in Moscow everything seemed prosperous. This fall, for the first time, unemployment is rising in Moscow. Private companies and some banks have started going bankrupt. The Menatep banking group, for example, has laid off 70% of its personnel. And it was considered one of the most prosperous banking groups.

If a large number of people in Moscow fail to receive their wages by Sept. 10, it will mean that not only Menatep, but most of the banks, are without even significant ruble funds at their disposal.

**EIR:** Could it become a revolutionary situation?

**Koryagina:** I rate the probability of a revolutionary situation as very high.

**EIR:** Will Yeltsin fight to the end?

**Koryagina:** Yeltsin will fight to the end, but he is evidently very ill. It was visible in the footage of his meeting with Clinton.

**EIR:** If you were head of the government, what most urgent measures would you take?

**Koryagina:** As the most urgent measure, we define a change in the status of the Central Bank, to make it a wholly state bank. Other key elements include a change in credit policy. There must immediately be low-interest credits, under strict government supervision, to the real sector of the economy, in order to get economic activity going, first of all, in non-capital-intensive sectors and firms, and those producing for the consumer sector.

Then, we would introduce a system of state orders, in order to ensure that the vital functioning of the military-industrial complex is maintained. We have a system of state support for enterprises of the agroindustrial complex.

If the financial and credit system is changed, there may be a modest policy of monetary emission, because it will be necessary immediately to increase the monetary incomes of the population, ensuring payment of wages and pensions, so that there be real demand. We need both to stimulate demand on the part of the population, and to improve the solvency of enterprises.

A dual policy of this sort, plus a degree of national eco-

nomics planning, with a five-year perspective and a one-year emergency plan for exit from the crisis, will have a very big effect. There is some experience, with what Moscow Mayor Yuri Luzhkov has done. The Moscow government is a strong one. When the Moscow government works with enterprises, the state does *not* exit from the economy, but becomes a strong participant in the market. Under these circumstances, companies develop very rapidly.

**EIR:** Do you think that others, not only the Communists, will be in favor of this?

**Koryagina:** Absolutely. We will have a whole system of measures, including tax breaks and other incentives, for small businesses. Medium and large businesses can be brought in through a system of contracts. Therefore, to say that everything in Russia would be handed to the Communists, is just propaganda.

Many producers believe that a system in which the producer is protected against financial speculation, is exactly what both the state sector and the private sector need. The support for this can be very broad.

**EIR:** As you know, some in the West spread panic about Russia returning to a dirigist policy of state intervention in the economy.

**Koryagina:** This is because of that same theory of economic liberalism, which we oppose. We think that Roosevelt was absolutely right, when he was not afraid to use the power of the state when the country was in crisis. In a certain sense, he utilized the Soviet experience, and that was right, because the important thing was not to lose America.

Our country, Russia, has generally been oriented toward the role of the state. In this, we have some similarity with the Germans, in having a positive attitude towards the state.

**EIR:** I want to ask concerning the concept of “National Economy” model, in the sense of Friedrich List, Alexander Hamilton, Count Sergei Witte, and today LaRouche: Do you think that those historical cases can be a model for Russia today?

**Koryagina:** Of course! I think these are components of world civilization, a more fundamental phenomenon than what the liberals espouse. I think that the liberals, in the setting of world civilization, are a short-lived phenomenon, while

the traditional national economy, with the state active in the economy, is more historically grounded.

**EIR:** Returning to the Russian economy, you have discussed the destruction of the real economy. Does Russia still have adequate reserves of productive capability to carry out a recovery on its own?

**Koryagina:** I think there are such reserves.

**EIR:** It is difficult to determine the full extent of economic destruction.

**Koryagina:** Without question, the destruction has been enormous. The liberals' rule has had a strong impact on the national economy, but here is why I rate Russia's chances as rather high. People in Russia are used to life being hard. Therefore, people who know what "really bad" is, when growth and development begin, will react with great cheer. Even some signs of growth that ordinary people in the West would just take for granted—our people will quickly greet very positively any improvement.

**EIR:** You have mentioned the danger of inflation.

**Koryagina:** With a Chernomyrdin government, there will be very high inflation, because inflationary monies will once again be going into the speculative sector. The banks will be reaping profits again, as will speculators.

Under our program, however, there will be modest inflation. But money will flow into the real sector. Modest inflation is necessary, in order to fuel producers, as well as the population, by raising their incomes. One of the heaviest blows, inflicted by implementation of the liberal doctrine of monetarism, is that the productive sector has been deprived of circulating capital. The purchasing power of the population has been sharply reduced. These functions have to be restored, which is impossible without modest inflation.

**EIR:** Couldn't inflation lead to social problems?

**Koryagina:** It must all be done in a carefully controlled fashion. But right now, there is discontent about inflation. Here in Moscow, our incomes have fallen effectively by 30-40%. In just the past few weeks, there has been a sharp increase in prices, but nobody is considering raising or indexing wages. People were already barely making ends meet, and on top of that we have an effective 30-40% drop in wages. People have some kind of hope that Yeltsin will do something, or Chernomyrdin, so in September there will be muted discontent, but then in October. . . .

**EIR:** You know LaRouche's policies, and also that there are intense disputes about it in America and in other countries. Within the U.S. government, there are differing views of this. What signals is Russia getting from the West?

**Koryagina:** As we see it, Clinton is still strongly attached to Yeltsin. Clinton is trying to do everything he can to support

Yeltsin, but it seems to me that when Clinton returns to America, the journalists who were with him will likely report that Yeltsin is a very sick man. It makes no sense, simply to support Yeltsin. This is repulsive to people in Russia, and even causes a boom of anti-Americanism.

Clinton and other leaders state that radical reforms must continue. But our population is already destitute—how much more radical can we get? The Americans fear that the ideas of socialism will reemerge, and the idea of social justice. Well, that's inevitable. The shortsighted policy of the American leaders, the attempt to impose a model and a vision of Russia's future, will only lead to Russia's moving away, and rather entering into a bloc with China, and developing relations with countries that do not tell Russia how to live. Whereas Clinton demands, "Continue the reforms, and if you don't continue the reforms, we won't help you." This is interference.

**EIR:** We are in a rapidly developing global crisis, in which it becomes clear to Clinton and others, that the whole situation has changed.

**Koryagina:** He is a very intelligent person, and ought to understand that. But, if he is not so wise in economics, then it's his misfortune, and America's.

**EIR:** There are some reports, that the return of Chernomyrdin is connected with the activity of Vice President Gore.

**Koryagina:** Not Clinton himself, but Gore? . . . Chernomyrdin, then, will carry out whatever policy Gore says.

**EIR:** How do you see the shift away from liberalism, in Malaysia, Hong Kong, other Asian countries?

**Koryagina:** I hope to God that the growing quantity of people who understand the end of liberalism, may be transformed into a quality of statecraft.

**EIR:** I would like to ask about your mention of Roosevelt. You may know that the *People's Daily*, in China, has just published a very detailed article about the history of FDR's measures. It was presented without commentary, but in great detail, about the laws that were adopted, and so forth.

**Koryagina:** Wonderful!

**EIR:** It is said that Zhu Rongji's policy is a New Deal, Chinese-style. There are various ways of understanding "New Deal." Some people say: Oh, that's Keynes—the stimulation of consumer demand and employment, by state investment.

**Koryagina:** That's not the worst thing in the world!

**EIR:** The question is, what kind of investments? For Keynes, it is unimportant, whether investments go into the real sector. He stresses the stimulation of demand. In the U.S. in the 1950s, when Keynes' policy was used, there was a boom

in consumer goods production, but a weakening of capital-intensive, technology-intensive industrial development. For LaRouche, state investment has a central role, but scientific and technological progress is the key. For Russia, he stresses that there needs to be a mobilization, above all, of the capacities of the military-industrial complex.

**Koryagina:** This is anticipated in our program. The kernel of our plan is a set of task-oriented programs, in the framework of which there will be development of efforts for the accelerated development of advanced technologies, and their deployment into the national economy.

**EIR:** Some people insist that the most important thing about Russia is its raw materials.

**Koryagina:** We advocate greater capital investment in the manufacturing industries, while the extractive industries are maintained at an adequate level. But manufacturing must be the priority. And, scientific and technological progress. This is specified in our program.

**EIR:** LaRouche has discussed extensively the importance of Russia's relations with China, India—other countries, too, but especially these largest countries, which have a great need for technology.

**Koryagina:** Yes, we need technologies, which are resource-

saving and create efficiencies.

**EIR:** The Soviet "KB" design bureaus, the teams that developed new types of aircraft, and so forth, are a capacity that needs to be restored. These are whole groups, capable of developing new technologies.

**Koryagina:** Yes! I think we will live to see times, when LaRouche will be named economic adviser, or foreign consultant. We will see this happen.

**EIR:** That would be very important.

**Koryagina:** Of course, this is important for the whole world!

**EIR:** LaRouche's authority in the world, and in America, is growing very fast.

**Koryagina:** Yes, I have had occasion to remember how the director of one institute yelled at me, when in 1997 I signed the letter to Clinton. He cried, "Tatyana, what is this you are writing, that there is going to be some sort of financial crisis? Why are you misleading people?" This came from a professor, a doctor of sciences. So, you see what the level of understanding was in Russia, just one year ago.

It is good that LaRouche is writing a lot, so that his views are known to the public. As his prognoses visibly come true, his authority will rise very rapidly.

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