

# Time Is Running Out for the Russian Economy

by Jonathan Tennenbaum

In an interview published in the Russian weekly magazine *Sobesednik* on May 23, and widely commented upon in the Russian media, the head of the State Duma's (lower House of Parliament) Economic Policy Committee, Sergei Glazyev, warned that Russia is headed for a new disaster, unless a radical correction is made in the economic policies which have prevailed since the removal of Yevgeni Primakov's government in May of last year. Otherwise, within a maximum of a year and a half to two years, the physical basis for rebuilding Russia's devastated economy would be gone. "It's time for people to understand, that without a mobilization of production, without an aggressive and rapid introduction of new technologies, we will never move off the dead point," Glazyev said. In the meantime, he warned, Russia is about to repeat the disastrous pattern of 1994-98, when an inflow of speculative capital created the GKO (government bonds) bubble, which burst in the Summer of 1998, wiping out countless businesses and banks. "The crisis we are on the threshold of now, will be much worse than in August 1998," he declared. "It will be connected with the total wearing out of all plant and equipment."

Glazyev's interview came shortly before Andrei Illarionov, just moved from his post as Economic Adviser to the Russian President to become Presidential Envoy to the G-7 countries, arrived in Washington to present a glowing picture of an alleged "economic miracle" in Russia. After claiming a miraculous budget surplus, growing hard currency reserves, foreign investment of \$9 billion already this year, and a promised GDP growth rate of 5%, Illarionov called for setting up a currency board for Russian on the model of Chile. Although Illarionov's claims are exceptionally extravagant, and not in agreement with the more sober statements of Prime Minister Mikhail Kasyanov, the story of an alleged "economic miracle" going on in recent months has circulated widely in the press, both inside and outside Russia.

Glazyev, one of the most respected young economists in Russia, had a very simple rejoinder: "What growth?" he asked. "We are experiencing an economic shrinkage." Glazyev explained that there had indeed been a certain real growth in industrial production after the August 1998 collapse of the Russian financial system, up to December of last year. "As is well known, this growth was connected with the sharp increase in the competitiveness of domestic goods and import-substitution, caused by the devaluation of the currency by a factor of three," he said. "The inertia of this growth, while weakening continuously, continued until December." After a slight spurt connected with the fact, that the population temporarily had more money to spend, the crucial indicators turned negative. "We are experiencing contraction, not growth, and it is impossible to make a medium-term prediction under present conditions," Glazyev said. The problem, he stated, is that the government after the fall of Primakov, has stopped intervening into the economy. "Judging from the

## LaRouche's Ideas Taken Up at Russian Academy Seminar

"Globalization and Its Consequences," was the title of a 90-minute lecture, delivered on June 5 by Prof. Taras Muranivsky at the longest-standing regular seminar at the Russian Academy of Sciences (RAS), the RAS Institute of Physics (FIAN) methodological seminar conducted by Prof. L.A. Shelepin. This session was held jointly with the seminar on economic modelling, established by Professors G.G. Pirogov and D.S. Chernavsky. Approximately 100 specialists took part, including representatives from the RAS Institute of Economics, the RAS Institute for Management Problems, the RAS Institute of General Physics, the Lomonosov Moscow State University, and other institutions.

Professor Muranivsky, who is president of the Schiller Institute for Science and Culture (Moscow), devoted his report chiefly to the questions discussed at the international conference of the Schiller Institute, held on May 26-28 in Bad Schwalbach, Germany (see *Feature* in this issue). There was especially great interest in the evaluations of the current economic, financial, and political situations, given in Lyndon LaRouche's report, "On the Subject of Strategic Method." Professor Muranivsky developed, in particular, LaRouche's methods of forecasting, the seven structural changes in the form of the modern nation-state, identified by LaRouche, the necessity of a New Bretton Woods system, and questions of culture and of physical economy. Fifteen of the participants in the seminar took part in the discussion of Muranivsky's report, the majority of whom focussed on the need to use LaRouche's ideas for solving Russia's economic problems.