
Interview: Tatyana Koryagina

Russia's liberal economic reformers created the 'Great Criminal Revolution'

Dr. Tatyana Koryagina, Academician of the Russian Academy of Natural Sciences, is the General Director of the Independent Economic Agency SEPPA (Socioeconomic Programs, Prognoses, and Alternatives) and a member of the board of directors of the United Nations Institute for Social Development in Geneva. In the late 1980s, she served on a state commission on economic reform in the Soviet Union and she was a member of the Russian parliament. In January 1992, she warned that the policies then being imposed in the name of reform—lifting price controls while the economy was still under control of state suppliers enjoying a monopoly—would lead to “a tidal wave of crime” in Russia.

Karl-Michael Vitt interviewed Dr. Koryagina on Feb. 23, 1995, in Moscow. Konstantin Cheremnykh translated from Russian.

EIR: What is your present occupation?

Koryagina: I am a scientist. I still work at the Macroeconomics Research Institute of the Russian government. It is practically without financing now, and my colleagues have been thrown into misery. Still, our group has founded our own private institution, the Independent Economic Agency, which is elaborating alternative programs and conducting prognostic research. The agency is also just trying to survive. The only difference for me is that in our agency I am surviving as a director.

EIR: After three years of the reforms started by Yegor Gaidar, what can you say about their results?

Koryagina: We are experiencing a profound crisis. I must emphasize that this is a systemic crisis, affecting all spheres of the economy and social life. But I was pessimistic about the free trade transformation of our economy already in 1990, when I first saw the so-called 500 Days Project prepared for Gorbachov by Yavlinsky, Shatalin, and others. In my opinion, Gaidar's policy was just a mild version of that project.

EIR: Today many people are suffering from crime. In your

opinion, is Gaidar responsible for it, and was he helping to develop these structures?

Koryagina: I should say that I was one of the first economists to investigate the so-called “shadow economy.” Already in the late 1980s, when the concept of the cooperative movement, of the private sector of industry, was widely discussed, we warned that if property reform were not conducted under a strict and clear law system, without government support for legitimate business, and if this were not conceptually outlined, we would get a mafia state and a criminalized economy.

I made such a forecast in July 1988, at an expanded meeting of the Council of Ministers, addressing Soviet Prime Minister Nikolai Ryzhkov. For me it was clear that liberalization of economy is always fraught with the risk of criminalization, so I said that a legislative basis should be developed before the economic reform was started.

But if we look at the 500 Days program, as well as what Gaidar did in practice, we see that criminalization was not prevented at all. It was speeded up. The Russians didn't even notice how the laws concerning drug use were changed, and even the deputies of the Russian Supreme Soviet did not realize that they were creating a paradise for the drug trade. And criminal businessmen prosecuted by the law were intentionally turned into victims or even heroes in the mass media.

So, both the lack of a legislative basis and the intention to create, the quicker the better, “a new layer of proprietors,” without regard for the source of the capital, led to the sort of situation we now have to deal with in Chechnya. And when Gaidar and his pals start to criticize this corruption, they seem to have forgotten that they were, personally, in both the spiritual and the administrative aspects, the fathers of the so-called Great Criminal Revolution.

The most terrible thing is that the present economic system involves a great part of the population in criminal activity. For a businessman there is no other way, except to go broke. All the rules and regulations are structured so that they kill legitimate economic activity and support

criminal deal-making. The taxes strangle production. There are certain privileges only for foreigners.

Any Russian businessman who worked on the Soviet or now the Russian market knows that, besides official payments, he also has to pay the so-called black cash. He has to pay additional, unregistered sums for storing goods, for purchasing offices, for keeping the freight from being stolen en route. I don't know of a single company satisfied with its conditions of existence. So, one of the major results of this way of economic reform is that nowadays we have no fair business in Russia at all. Our economy is part black, under mafia control, and part so-called gray, or half-criminal.

EIR: But what do you think of western governments that insist on fostering free market reforms in Russia? Are they maybe just stupid, or what can be the reason?

Koryagina: I'm sure the reason is not always the same. Based on my experience of discussion with western politicians and scientists, I have to say they only very superficially understand what had been and what is now going on here. Most common is their absolute, total lack of understanding of the essence of the Soviet economy, the system that worked for many years. They take it as something merely negative, as its principles did not coincide with western standards. Some prominent western professors, after talking to us for two hours, exclaimed, "But how is it possible that you still exist, after all?" That's what I call total lack of understanding.

But, of course, that is only one side of the problem. It is clear now that there had been, and there are now, too, real and intentional efforts to undermine our economy and our country, too. After the fall of the U.S.S.R., the same destructive processes are being fostered in Russia.

You see, I grew up already in the period when Stalin was criticized, and so I always hated the word "conspiracy." Still, in 1988, when I was studying the consumer market, I had to use the word "conspiracy." For these International Monetary Fund [IMF] people were clever enough to foresee the consequences of the destruction of the whole financing system and the consumer market in our country. They were clever enough to understand what we were explaining to them, when we were objecting to Yavlinsky, Shatalin, and Gaidar, claiming that their incompetence was close to treason, and that they were betraying not only state interests, but their own conscience as scientists. I knew all these people well enough to realize that some ominous game was being played by them—a game that was to bring material profit to them personally, and nothing good for the productive economy.

EIR: The Bush-Thatcher policy in eastern Europe was obviously aimed at crushing the economy in this region by means of "shock therapy." Do you think there is a possibility now

that Russia itself, independently, not looking back at Harvard University, can find the solution to this situation?

Koryagina: No doubt. And of course, the Harvard specialists can't help us at all. We can speak with John Galbraith and some other scientists who are not as well known as Jeffrey Sachs, but who have a better reputation in economic science. As for the Harvard school of Sachs and others, in the scientific circles they are commonly regarded as representatives of what I would call the false monetarist school.

EIR: But the Russian crisis is not an isolated event in the world economy. We are facing a global economic depression. The American economist Lyndon LaRouche wants to have an ordinary bankruptcy of this IMF system, in order to reach the possibility of creating a new credit mechanism, to improve the physical economy. For example, for Eurasia that would mean the development of infrastructure, of waterways, high-speed railroads, communications, energy management, and so on, to create a bridge between the two most densely populated areas—Europe and China—with Russia in the middle. What do you think of such a solution to the crisis, a solution which would be in the tradition of Count Sergei Witte, professors Mendelejev and Vernadsky, as well as in the tradition of the original American System?

Koryagina: In my view, modern problems of economy cannot be solved conceptually with the same methods as in the 19th century, when our brilliant Russian intellectuals worked. Though I admit that the main danger for the world economic situation, the danger of a supercrisis, is coming from the same source as it was at the beginning of our century. It is coming from a hypertrophy of fictitious capital in economy, producing an immense load of derivatives, which causes an increasing gap between the real ratios of production efficiency, its physical productivity, and monetary value.

I am sure that only those countries will avoid getting into a collapse in the next century, which escape from the world banking system, to hide into, so-to-speak, capsules, contracting world economic ties only in some selected necessary spheres, and thus surviving in this global supercrisis which will really come very soon.

Unfortunately, I didn't know anything of LaRouche in the late 1980s. Still, in my interviews of that period, that was my and my colleagues' intellectual response to Yavlinsky, Shatalin, and Yasin. I gave interviews to Spanish, Japanese, and also American journalists (the Americans were surprised that I didn't follow Yavlinsky and the others), and said that if [Russian President Boris] Yeltsin followed these initiatives (and I didn't quite expect he would), he would draw Russia and all the neighboring countries into the same deadly funnel, the same whirlpool into which the whole world community is marching.

As for the projects, their fate depends on what basic economic principles will be chosen in the nearest future.

So, if the developed countries return to the gold standard, it will be clear for any thinking economist that we are returning to physical economy, and then, on this basis, global infrastructure projects can be carried out; if not, any project will fail, all of them will be a sort of Garden of Semiramis.

EIR: You know about the financial crisis in Mexico that made even [IMF Managing Director Michel] Camdessus speak of a systemic crisis; and more and more people are speaking of a global financial collapse, though in February 1994, when LaRouche was warning of the incipient crisis, these people were too careless to listen to him. Now, what is your advice to the governments of the world? How should they react to the crisis, to your opinion?

LaRouche's proposal is that several strong states, like Germany and the United States and Japan, can declare the global financial system bankrupt. President Clinton can do this, based upon Article I of the U.S. Constitution. Would you advise Clinton to do this, in order to implement the original American, Hamiltonian system? If he did this, Russia would also have a chance to change its parameters. Last year, during his visit to Bonn, President Clinton expressed his will to help to stabilize eastern Europe. So, what would you advise him to do to achieve this objective? What should he start with?

Koryagina: I would divide my advice to the western politicians into two parts. The first aspect concerns the ability of western governments to avoid the coming superdepression. It seems to me that the crisis is already inevitable, and one can't prevent its coming. Now the governments should be thinking about how to behave in the situation of the supercrisis.

As the crisis itself is linked with mistreatment of the interests of a group of countries, and the interests of their citizens, in the framework of the world financial mechanism, the first thing to do, I suppose, is to evaluate the degree and the velocity of a given country's involvement in this global mechanism. My opinion is that only countries that choose the path of rational isolationism will successfully survive. Its essence should be a system of very carefully planned measures to protect national productive economies, so that fictitious capital, speculative money cannot suppress the producers and impose its own conditionalities.

Any production has a purpose of satisfying some of people's needs; production exists for the sake of the consumer. The producer must feel that the intervention of the global financial institutions destroys the national economy of Russia, of the United States, and also of Japan, as my colleagues have told me. So, if you want to retreat from the edge of the abyss, it means you must be aware of the interests of your national economy, and in order to protect it you have to get rid of the network of global financial structures, and act as an isolationist. When some countries start behaving like this, it will be like a cold shower for other countries,

for those politicians and governments unlucky enough to be ruling countries in such a difficult period.

The second issue deals with the crucial question in economic science—the principal question of the interpretation of production and distribution. The 20th century has proved that a civilized country must have an immense reserve of goods and services to provide the whole population with a certain set of economic benefits. And this need will lead to an increase of the role of the state in regulating the economy and property. Private property will be largely transformed into stockholding property, while a significant part of the property will be state-owned, so that it could provide a financial basis for the state to survive. Politicians who realize these essential factors will win.

In the late 1980s, I was one of the first economists to speak of developing the private economy in this country, and I'm quite sure that the niche of small production, e.g., farming, should be filled with private initiative. But I never held that electric power generation or railroads or museums should be privatized.

I am sure that the 21st century will be a time of large corporations, transnational alliances, and companies in which the state property of many countries will comprise a large part, and will represent the interests of these countries.

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