

Polevanov also warned that unrest in Russia was growing exponentially. "We have unprecedented stratification into the super-wealthy and the growing class of super-poor, which, in fact, is the main reason why neither domestic nor foreign investors are active and why capital flees from this country. Simply, people are afraid of investing in a country which can explode at any moment. This is just one of the laws of political science and sociology, that ratio. Disregarding it means disregarding objective reality."

The Polevanov memorandum

This is not the first time that Polevanov has publicly reported the results of the shock therapy policies imposed on Russia by the Thatcher-Bush forces in the West. On Dec. 30, 1994, Polevanov presented a memorandum to Chernomyrdin criticizing the state of privatization, demonstrating point by point what privatization was meant to achieve, and what it actually had achieved. This document so irritated Yeltsin that by Jan. 20 of this year, Polevanov was fired. Two days before, excerpts from his memorandum, "An Analysis of the First Stage of Privatization and a Proposal on Its Improvement" had appeared in the daily newspaper *Zavtra*. Polevanov proved that neither the population nor overall production had benefitted from privatization, and also warned, in the case of the defense industry, that foreign companies and firms hoped "to use the ongoing processes [i.e., privatization] in the defense complex for penetration into its administrative structures by means of cornering stocks. . . . In order to avoid probes by the FSK [Russian state security], as envisaged by Russian law, the firms act through Russian straw men. . . ."

"The covert intervention of foreign capital is proceeding through the acquisition of property by foreign firms with the aim of undermining the defense capability and the economy of the country."

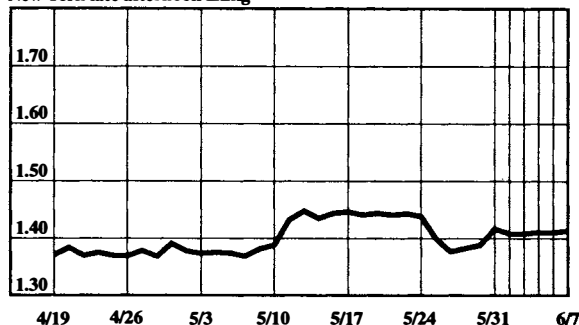
Although what role Polevanov's statements will play in the formulation of policy in Russia remains unclear, it is obvious that many in Russia are unwilling to let the current devastating economic situation—which has left many citizens homeless, barely able to purchase food, and in many cases without access to medical care—deteriorate any further.

One indication of how bad things have gotten, is the tragic earthquake in Sakhalin, where the death toll is now over 2,000 as of this writing. On May 29, the London *Financial Times* had written: "After the Kobe disaster [in Japan in January 1995], Russian officials had predicted that an equally strong earthquake was likely to hit Russia this year. But they warned at the time that the closure of dozens of seismological stations in the region because of cash shortages [i.e., IMF-dictated budget cuts] would make it difficult to detect tremors in time to minimize the impact." Thus, in the Sakhalin case, there was no detection of pre-quake tremors, and thus no warnings were possible.

Currency Rates

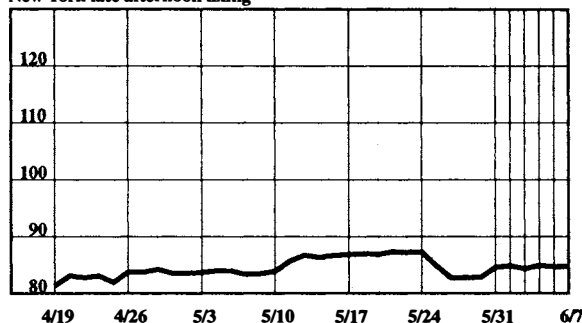
The dollar in deutschemarks

New York late afternoon fixing



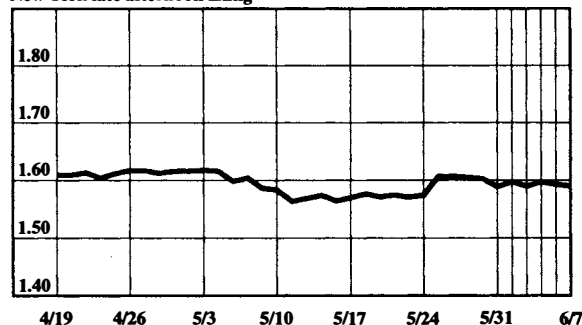
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

