

World financial crisis recognized in Moscow

by Rachel Douglas

“The World Financial ‘Pyramid’ May Collapse in an Instant.” Under that headline in the opposition newspaper *Pravda Pyat* of Aug. 20, Prof. Taras Muranivsky brought a dose of reality into the discussion of Russia’s financial situation, and the world’s. His article was one of several recent publications to break, as Muranivsky put it, “the taboo on speaking openly about the illness of the world financial and monetary system.”

Russian affairs are tightly involved with the international financial system, as is evident in the two main struggles that have dominated its political landscape this summer. One is the current regime’s attempts to pacify working people and military servicemen, by paying wage arrears with funds borrowed on the international markets or raised by the sale of state assets. Second, there is intense clan warfare (the violence level rose a notch with the Aug. 18 assassination of St. Petersburg deputy mayor Mikhail Manevich), among domestic and foreign financial interests, competing in the race for profits from the control of those assets as they are privatized. Russian policymakers, therefore, have an interest in being cognizant of the state of the world financial system, but attention to its crisis has been rare in Russia, before these articles.

Muranivsky referred to the transcript, published in *Pravda Pyat* on July 26, of a round table held in June under the auspices of two Russian Academy of Sciences political institutes. *Pravda Pyat* titled it, “Russia in the Global Economic Tempest.” The participants included economists from leftist circles in Britain and Japan, as well as Russian economists and historians, who couched their analysis in Marxist terminology.

Seminar co-host, economist G. Pirogov, began: “We are living in a new global situation. The world capitalist system would seem to have achieved victory over the socialist system. But behind the window-dressing of prosperity, there is a vague sense of alarm. Rustling sounds and something like falling plaster can be heard. Is it just the sound of repair work, going on behind the walls of the banquet hall, or is the foundation of the building cracking? Socialism, incidentally, is not done for: China remains, and is still developing. Might not the ‘victory banquet’ turn out to be Belshazzar’s Feast?”

In the discussion that followed, Doctor of Economic Sciences V. Volkonsky raised the question of “a repetition of the

crisis of 1929.” He and historian Feliks Belelyubsky, who also writes for *Pravda Pyat*, attacked the wholesale adoption of economic practices from “the West’s liberal school” of economics, in Russia.

The BIS report

Muranivsky deepened *Pravda Pyat*’s coverage of the world financial bubble, in his Aug. 20 article.

“Since the time of Gorbachov’s *perestroika*,” he wrote, “we have been told that Russia is experiencing a transitional period of crisis, while the Western economy is stable and flourishing. As the participants in the round table rightly noted, however, world economic affairs are rather more complex than that. [English economist] J. Ross recognizes the world financial crisis, but considers it to be a reflection of an industrial crisis, which is less visible. But that is only half the story. Monetary and financial disorders themselves, have become one of the essential reasons for the disbalance that threatens to destroy the world economic system.”

Muranivsky noted that American economist Lyndon LaRouche was “one of the first to draw attention to the new crisis,” with his 1994 “Ninth Forecast” warning, about the inevitable disintegration of the existing financial and monetary system. “At the end of 1994, came the unprecedented explosion of ‘the debt bomb’ in Mexico,” which was followed by the popping of financial bubbles in other parts of the world, including the crash of the first pyramid investment schemes in Russia.

“Financial and government circles assessed these events as temporary crisis phenomena, which could be easily eliminated,” continued Muranivsky. “But LaRouche, in his memorandum ‘Prospects for the Revival of Russia’s National Economy’ (prepared Feb. 17, 1995, at the request of two committees of the State Duma of the Russian Federation), evaluated the web of emerging local crises as the result of a systemic ailment of the global financial and monetary organism as a whole.” The June 9, 1997 annual report of the Bank for International Settlements, containing General Manager Andrew Crockett’s discussion of crises in the so-called emerging markets, “completely confirms LaRouche’s forecast,” Muranivsky said.

Muranivsky cited Western press accounts of currency and banking crises in International Monetary Fund member countries, then delved into a topic scarcely touched in Russia: the derivatives bubble. Some Russian financial columnists talk breezily about derivatives, which they call *fyuchers* (from “futures”), as an advanced market innovation through which much money is to be made, but Muranivsky insisted on rigorous use of a recent coinage—*derivaty*—as a generic term for derivatives. He gave LaRouche’s definition of derivatives as “a tumor on the body of the economy,” or “a cancer,” and provided data on the volume of derivatives trading and derivatives-driven potential liabilities of banks, in many countries.