

The penetration of immorality into Russia's Putin's economic policy

by Taras Muranivsky

Yet another of the failed 1990s "reformers" in Russia, to attempt to return with a vengeance, is Andrei Illarionov. A longtime associate of Yegor Gaidar, the Russian Premier of "shock therapy" fame in 1992, Illarionov played a particularly nasty role during the Russian crisis in the summer of 1998. In tandem with speculator George Soros, who wrote along similar lines in the Financial Times of London, Illarionov was hyperactive during July 1998 in talking down the ruble and saying it was time for the Russian financial bubble to pop. No sooner did it pop, than Illarionov mobilized to import ex-Argentine Finance Minister Domingo Cavallo to Russia, to promote the speedy imposition of a currency board scheme—the surrender of Russia's sovereign control of its monetary affairs, to international financiers. The currency board gambit was beaten back, when Yevgeni Primakov was named Prime Minister in September 1998, but now, in March and April 2000, there has been a sudden spate of rumors, that Illarionov might be appointed Minister of Economics, when President Vladimir Putin unveils his own cabinet in May.

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The lack of a campaign platform served Vladimir Putin well, for purposes of winning the Presidency. Leftists heard him saying that he would strengthen the Russian state for the good of the people, while the rightists were impressed by his advocacy of market reforms. Nobody had any idea, what was hidden inside the black box, or what was going to be written on the blank slate named "V.V. Putin."

The *incognito* tactic worked on the first try. Now, it would seem, the mask might be dropped, and some articulation be made about "who's who," or, more precisely, "who I am." But, nothing of the kind took place. There are promises, that everything will be made clear some time in May, after the inauguration of the new President. What nonsense! If power were being passed from President Ivanov to President Petrov, one might expect to wait until the inauguration. Here, however, we have merely the transfer of power from Putin to Putin!

Since the past decade has witnessed the destruction of the

economy, and the social and spiritual life of the nation, people hope for a halt to the policies that have disgraced Russia. Much depends upon who surrounds the President — his advisers and consultants. In that realm, we may be profoundly disappointed.

A rush to the state feeding trough

Certain names and faces slip through the veil of secrecy, draped over the preparation of programmatic economic and social documents. These are the names not only of program-writers, but of those who expect to be appointed to high government office. There is not a constructive thinker on economics among them. The authorities on "Putin's team," as it is called, are the purveyors of so-called "liberal values," who advocate the removal of the state from the economy and the sell-off of national property and wealth. One person, often mentioned as a member of Putin's entourage in the recent period, deserves special attention: A.N. Illarionov, who is said to be running for Minister of Economics.

Under Yeltsin, there were dozens of ministers and other high-ranking officials, for whom "the state" simply denoted how much could be "officially" stolen from the state for one's personal enrichment. They became millionaires or even billionaires, while their names were gradually forgotten. Now, new would-be "statesmen" of the Illarionov type, hope to be invited back to the state feeding-trough.

To understand what Illarionov represents as an economist and a politician, let us look at one of his recent articles. People say that facts are stubborn things, but it should be added, that it depends on whose hands they land in. Thieves are quite capable of bending the facts, making them serve to "prove" predetermined conclusions, which would be contradicted by the facts in their raw form. A.N. Illarionov's article, "How Russia Lost the Twentieth Century" (*Voprosy ekonomiki*, No. 1, 2000), is a blatant example of this kind of dogmatic and self-interested exploitation of seemingly accurate statistical data. A good half of the article (11 out of 22 pages) is taken up with statistical tables and mathematical graphs, which the author uses in his attempts to tell us how much he hates the U.S.S.R. and Russia, how precious imported "liberal values" are to him, and how much he

years to remove the state from any role in governing the economy or society as a whole.

Statistics are assembled in Illarionov's article, to show that the Russian economy was declining right through the 1980s. Worldwide, GDP was continuously rising, while in Russia it did nothing but fall—from 1913 until 1998—by comparison with other countries, especially the highly developed ones. Just as if we never had the high rates of industrial growth, which made it possible to defeat the industrial monster of Nazi Germany, and as if the U.S.S.R. did not resurrect its national economy after the war, or launch the first manned space flight, or advance to the forefront in many other sectors of science and the economy!

Spreading the dirt of liberal reforms, to other years

For anybody who knows the history of the U.S.S.R. and Russia, even a cursory reading of Illarionov's article will raise the question: How did this "analyst" pull off his statistical sleight-of-hand? The answer is evident: The results of the sell-off of national property during the Yeltsin years, the collapse of production, the looting of state finances, and the legitimization of mass unemployment and other social ills, were so horrific, that Illarionov and his school are able, through fairly obvious statistical tricks, to project them backwards onto earlier years, smearing the entire century with the damage done just lately. Illarionov's ideological purpose is to brainwash people, who have realized that "shock therapy" was a disaster, and are doubting other "liberal values."

In order to demonstrate the benefits of removing the state from the economy, Illarionov invented a "Scenario of Russia's Economic Development in the Twentieth Century," which is nothing but arbitrary invention and fantasy. He juggles the term "market economy" with other types of "liberal policy," invented by himself, such as "moderate," "consistent," and even "socialist." He herds the statistical data, to bolster his invented scenarios. The result is a preconceived picture, illustrating that, the more acute the liberalism and weaker the state regulation, the more rapidly GDP increases. These tables and the accompanying commentaries smack of scholasticism: The GDP indicators are not derived from the economic policy, but rather the label of "liberal economic policy," invented by the author, is stuck onto any higher growth rates that occurred. One does not need any special education in economic history, for example, to doubt the author's assertion that Iceland, the United States, and Taiwan had absolutely the same economic policy in the period 1913-1998. All of Illarionov's arguments in favor of "liberal values" are of that quality. His conclusions, as a rule, are given in the subjunctive mood: If Russia had done this, and not that, its GDP would have been incredibly high.

"Consequently," emphasizes A.N. Illarionov, "in order to achieve maximum economic growth rates, it is necessary to lower the state's fiscal burden on the economy." It emerges,

that the Russian state was insufficiently "fiscally unloaded" in the course of our privatization-as-looting. If we really look at foreign experience, however, we see that the United States (whose economy Illarionov wrongly defines as "consistently liberal") not only did not "disburden," but constantly increased its national budget. Where there is real economic growth, the state's financing of priority national programs rises and expands.

The method of spreading the terrible consequences of the liberal reforms backwards, to tarnish the whole century, was not enough for Illarionov. He augments his argument, with the technique of cover-up. An accurate analysis of a historical process should rely on indicators and facts, characterizing the positive, as well as the negative aspects of the economy's development at various stages. Illarionov, therefore, laying claim to the role of scientific analyst, should have laid bare the shortcomings, errors, and even criminal decisions in the economic policy of both the U.S.S.R. and Russia. But, an analyst does not have any right to cover up the well-known achievements of the U.S.S.R. in economics, science, technology, the social sphere, and culture, or the unprecedented, catastrophic economic destruction and upheaval of the economy during the Great Patriotic War, or the extraordinary rates of post-war recovery of the economy. Such normal scientific analysis might disrupt the pre-set logic of the "proof" of the superiority of "liberal values." It was more convenient to employ the indicator of "average GDP growth for the century."

Speaking of GDP

In the late 1980s, the Soviet economists Selyunin and Khanin published several articles, in which they argued that a rise in such value indicators as GDP, often concealed a decline of production, if the latter were measured in physical terms. The American economist and politician Lyndon LaRouche, currently running for the Presidency, devotes much attention to this problem. In his book *Physical Economy*, published in Russian not long ago, LaRouche notes that statistical practices in national income accounting fail to distinguish between physically unnecessary expansion of nominal incomes, and useful production and consumption. If prostitution and the narcotics business were legalized, for example, the official tally of U.S. GDP would increase by approximately \$500 billion, without any growth of real producer or consumer values. "Thus," writes LaRouche, "a vast, parasitical burgeoning of notional values of financial gains in various purely speculative forms is counted as national income on the same basis as production of food, clothing, education, medical care, bridges, tunnels, railways, and industrial workplaces."

Illarionov also ignores the entire system of social and cultural indicators, which were central to the state's social and economic policy in the U.S.S.R., but were tossed overboard in the course of the liberal reforms.

The economy doesn't function without a plan

Illarionov arrives, through his pseudoscientific statistical manipulations, at the conclusion that the cause of the current situation in Russia is “the system of centralized planning, which ruled the country for seven decades.” In order to appear more balanced, the author also invokes the “consistently interventionist and populist economic policy” of the past decade. But, Illarionov proposes nothing new, other than “the conduct of a consistent liberal policy under market conditions.”

These conclusions testify to the author's ignorance not only of the realities of the U.S.S.R.'s economic development, but also of the world economy. Of course, there were shortcomings and excesses in the Soviet planning system. It is just as well known, however, that not a single economic structure, from the household and the firm to the state and the international community, could function without a plan. Nor does a single country in the world, have pure “free trade.” President Franklin Delano Roosevelt's New Deal policy in the United States during the 1930s, was a program to exit from the economic crisis, with organized public works for employing the unemployed, and so forth. In the Second World War, it was a planned economy, that emerged victorious. Post-war reconstruction was accomplished according to precisely planned state and international economic policies, not only in the U.S.S.R., but in France, Germany, Japan, and elsewhere. President Charles de Gaulle of France stated outright, that his economic policy was based on “dirigist planning.”

On none of these occasions, except in Russia and Eastern Europe in the early 1990s, did anybody proclaim “free trade” and other “liberal values” as a program for exiting from a crisis. Experience has shown us, that such measures would more accurately be termed a program to compound a crisis. Realizing this, several countries in Southeast Asia, taking the initiative from Premier Mahathir bin Mohamad of Malaysia, have undertaken to develop anti-liberal programs. In the first year of successful implementation of a policy of combatting currency speculators, with capital and exchange controls, Malaysia has experienced palpable economic and social results. Thus, Illarionov's conclusions rest not only on his manipulation or cover-up of statistical data about the development of the U.S.S.R. and Russia, but also on his ignorance of world experience.

One can only regret, that an “analyst” of this type would show up as an economic adviser to V.V. Putin, never mind as a candidate for high government office. Can a person who opposes state regulation of the economy, work even as a lowly clerk, in the Ministry of Economics? Yet the media, lately, are rife with rumors that A.I. Illarionov might be appointed Minister of Economics by President Putin. If he did this, the new President would have opened up new passageways for the penetration of immorality into the real economic policy which our country so badly needs.

British establishment promotes new Opium War

by Mark Burdman

The modern-day political and philosophical descendants of those British imperial families and policymakers who mobilized two Opium Wars against China in the 19th century, have now gone on the offensive, to bring about the legalization of drugs in the United Kingdom. In the most immediate sense, the target of this new offensive is the population of Britain itself, as the country threatens to be turned into a world center for narcotics-trafficking, and as domestic drug abuse threatens to reach epidemic proportions. The legalization offensive also has obvious international implications, as it opens the door to drug-legalization offensives in the United States and other countries, and undermines those regimes, such as that of Peruvian President Alberto Fujimori, who have been fighting to destroy the drug trade.

The relevant British influentials, including individuals in the royal family entourage, are reviving those methods by which the British Empire ruled during its heyday. In more modern terms of reference, these are the methods advised by British author and drug-user Aldous Huxley, in his book *Brave New World*, on how drugs should be used for social control and social engineering. At a time when a vast economic and social crisis looms just over the horizon, as the world financial system careens toward disintegration, it is hardly surprising that these establishment institutions and individuals would be pushing to legalize drugs.

The drug-legalization offensive is consistent with some of the main initiatives of British Prime Minister Tony Blair's foreign policy. For example, it was Blair, together with U.S. Secretary of State Madeleine Albright and her clique in Washington, who set up the March 1999 NATO war in Kosovo. That war has been declared a great “success” by NATO and its spin-doctors. But the fact is, Kosovo has, in the months since the war ended in June of last year, become Europe's main transshipment center for narcotics, as the March 13 *Guardian* and other British media have exposed. As *EIR* reported last week, Kosovo itself is under effective control of drug-trafficking mafias and organized-crime clans. This reality exposes Blair's supposed opposition to drug legalization as a fraud, and puts him in bed with that establishment mob now heading the legalization offensive.

Two political earthquakes

During the week of March 27, two extraordinary developments occurred in the United Kingdom, by which leading