

London's 'Our Men' in Moscow Keep Poisoning Russian Policy

by Rachel Douglas

"...from the middle of the 1980s on, the leading forces in Russia, today, were trained and directed by British intelligence circles, largely inside London, itself.... These characters, like Chubais—not only Gorbachov, but Chubais and others, who are part of the British school of treason, from a Russian patriotic standpoint, ... are behind the major problems we have today."

—Lyndon LaRouche, webcast of March 13, 2010 (see transcript, this issue)

Anatoli Chubais, the current CEO of Russia's state-owned corporation Rosnano, spelled it out himself, in an interview published March 3 in the Russian edition of *Forbes* magazine, about the events of 1991. He was asked about the urgent consultations that took place in a Moscow suburb, in late September 1991, to which Chubais was summoned by the late Yegor Gaidar. It quickly became clear that Gaidar was to be the prime minister of the new government of independent Russia—the Soviet Union being in the process of disintegration, after an abortive coup attempt the previous month—and the discussion was about the economic policy to be implemented.

"Was an evaluation made," *Forbes* asked Chubais, "of what the impact of the reforms would be? I mean, forecasts of the extent to which production and real incomes would collapse, and how high prices would rise."

Chubais replied: "We didn't have to make any special estimates, because this was one of the fundamental scientific topics we had been working on for the previous ten years. So, we knew very well what the impact



Russian Presidential Press and Information Office

Anatoli Chubais (right) briefs (or pretends to brief) then-President Vladimir Putin on a UES hydropower plant, July 2003. Does Chubais know anything about power plants? His expertise is in destroying economies on orders from London. As he explained in a 2001 interview, privatization of Russia's state-owned industry was not an economic process until 1996, but a political one.

was going to be: the real cost of the reforms. We had even written about it, including in a famous article co-authored by myself and [Sergei] Vasilyev. It described the main conflicts and problems which would inevitably occur. First, we presented this at a seminar in Padua [Italy], then we published it. It provided a sober and tough description of the inevitable adverse effects of the transformations which had to be made."

Setting aside Chubais's sophistry regarding the inevitability of the "shock therapy" deregulation and privatization policy, and its hideous consequences, what's true in that statement is that the Gaidar government had its plans set in advance, thanks to a nearly ten-year process of preparation. Foremost among the foreign sponsors of that process was the late **Lord Harris of High Cross**, head of the Institute for Economic Affairs (IEA) in London. The IEA is an arm of the infa-

mous Mont Pelerin Society, the British economic warfare unit founded in 1947 by London School of Economics Prof. Friedrich von Hayek. Mont Pelerin's mission: to use the free-trade "liberalism" of 18th- and 19th-Century Britain as a bludgeon against nation-states, which had been strengthened during the mobilization for World War II. Three decades after Mont Pelerin's launch, the IEA became the think-tank that cranked out the core policies of "Thatcherism," named for British Prime Minister Margaret Thatcher. That radical privatization/deregulation/free-trade agenda savaged the U.K. itself, and much of the rest of the world, beginning at the end of the 1970s.

In 1983-91, the IEA and its Centre for Research into Communist Economies (CRCE) conducted a series of seminars, at various venues around the world, for young economists from Eastern Europe and Russia. On Aug.



Vladimir Mau

[of Aug. 21-22] has rendered the empire ripe for a dose of Thatcherism.... The Thatcherites believe that the events of the last few days have created the perfect new laboratory to test their ideas." Interviewed about the monthly luncheons he would be hosting for "free-marketeers and Soviet economists," Lord Harris told the *Times*, "We criticized [then Soviet President Mikhail] Gorbachov in the past for not reforming fast enough. Now the pace will be accelerated and our think-tanks can play a key role."



Lord Harris of High Cross

23, 1991, the "Diary" column in the *London Times* showcased their special relationship with these Russians: "The free market gurus and think-tanks that helped redraw the economic map of Britain during the 1980s," wrote the *Times*, "are planning an ideological invasion of the Soviet Union, in the belief that the failed coup

Harris's project, and the parallel patronage of the Rothschild family's George Soros, shaped the group of "young reformers," who ran economic policy under Russian President Boris Yeltsin in 1991-98. Harris called them "our men." As the Soviet bloc splintered, the Mont Pelerin Society-groomed economists seized the opening. Their first policy submission was the notorious 500 Days Plan for a leap to the "free market," drafted in 1990 by young economists, including **Boris Fyodorov** and **Leonid Grigoryev** from the Gaidar-Chubais group. A year later, in September-November 1991, the Russian institute of Gaidar and his protégé **Vladimir Mau** nearly folded, because most of its staff entered the government. As acting prime minister in the first Yeltsin Cabinet, Gaidar promptly implemented the "shock" decontrol of prices, beginning with the catastrophic looting of Russian industry and living standards.

The horror story of 1990s Russia has been told many times, including in two books published in English by *EIR*, Sergei Glazeyev's *Genocide: Russia and the New World Order* (1999) and *The Anatomy of Russian Capitalism*, by Prof. Stanislav Menshikov (2007). The looting of the country reached a high point in 1996-98, when a Ponzi scheme of Russian short-term government bonds, called GKO, became a magnet for hot-money flows from all over the world, in the wake of the savaging of Asian currencies by Soros's and other hedge funds. During frenzied Summer 1998 attempts to keep the GKO bubble from blowing out, Chubais handled the Russian government's dealings with the International Monetary Fund and World Bank, securing pledges of \$22 billion in help. From the outside, then-U.S. Assistant Secretary of the Treasury **Larry Summers** was a key player.



Boris G. Fyodorov

They failed, Russia defaulted, the stock market crashed by 75% on the year and the ruble by two-thirds, and some of the Russian *nouveaux riches* lost their fortunes. Bad derivatives bets related to the Russian bonds brought down the Connecticut-based Long-Term Capital Management (LTCM) hedge fund, nearly leading to a worldwide meltdown right then. One would suppose



EIRNS

While the Russian population sank deeper into poverty after the collapse of the Soviet Union, Russia's newly minted "private property owners" quickly melded their enormous holdings into worldwide, London- and offshore-based finance. Shown is a Moscow flea market.

that Chubais's services were no longer required, as veteran intelligence figure and economist Yevgeni Primakov took Russia's reins of government in September 1998.

But, Chubais managed to hang on to another job he had acquired in April 1998, as the GKO crisis ripened. Fired in March 1998 as first deputy prime minister, along with Prime Minister **Victor Chernomyrdin**, he became CEO of the national electric power utility, United Energy Systems. During the next decade, while arranging the break-up of UES and privatization of its components, Chubais restyled himself as a "liberal imperialist," borrowing that catch-phrase from Britain's Tony Blair.

And the legacy of the London-steered experiment in Russia runs deeper than its visible extravagance of the 1990s. In a 2001 interview, published for the first time

by journalist Alexander Gentelev only in January of this year, Chubais explained: Until the 1996 reelection of Yeltsin, "privatization in Russia was really not an economic process. It was addressing objectives of a completely different scope. Few people understood that at the time, especially in the West." The goal, Chubais elaborated, was political. He presented that goal as "destroying communism" through creating an irreversible attachment to private property ownership in Russia: "We knew that every factory sold, was a nail in the coffin of a communist. Whether it was expensive, or cheap, or free, or with a surcharge—that was question number 20. Number 20! While question number 1 was just this: each private property owner who appeared in Russia meant irreversibility. Irreversibility!"

While the majority of the workers and scientists by whose labor and innovation Soviet assets had been created sank into poverty, Russia's newly minted "private property owners" quickly melded their enormous holdings into existing, worldwide, London- and offshore-based finance.

Some of the members of the Gaidar-Chubais team had earlier departed to the private sector, joining the ranks of would-be "irreversible" private-property owners, some of them on an obscenely huge scale. Others, however, filtered into the institutions of Russian policy-making and continued to hold key positions throughout the first decade of the new century, even as President Vladimir Putin sought to regroup the Russian economy and shift it away from its addiction to raw materials exports. Today, not only are key personnel still on the scene (see below, "Where are 'Our Men' Now?"), along with a whole new generation of people who rose under their tutelage, but it is also evident that the axioms, institutions, and modes of operation, established for the Russian economy by the London-trained "young reformers," have not loosened their grip. For that reason, Russia urgently requires, as much as any nation does, LaRouche's proposed bankruptcy reorganization, under Glass-Steagall principles, of the entire London-centered international system of speculative monetary flows, on whose behalf Russia has been looted.

Now read our documentation: the late Lord Harris's own words, and those of his confederates, describing what they had set in motion the previous decade. Then, we shall touch on how London's "our men" emerged in the late-Soviet years of rule by Yuri Andropov and Mikhail Gorbachov, and take a look at where they are, and what they are doing, today.

The London Trainees in The Gaidar Government

Lord Harris of High Cross

The late Ralph Harris (Lord Harris of High Cross, 1924-2006), director of the Institute for Economic Affairs (IEA) in London, and two of his associates on the Russia project, spoke with a freelance journalist, who made the interviews available to EIR, in the Spring of 1996.

Q: You had some input into the reforms in Russia.

Harris: We got to know [**Yegor**] **Gaidar** and some of his friends. We've had them over here, we introduced them to [Prime Minister Margaret] Thatcher, and this kind of thing.

Q: You are chairman of the International Center for Research into Economic Transformation (ICRET), in Moscow.

Harris: It is a mixed situation. There are some very, very good bits, but it is all in the balance, with the [1996 Presidential] election coming along, and whether Yeltsin will stay; and some of our men, like Gaidar, have been sacked. The chaps that we really wanted in charge, in the early days, have had to be dropped because of sort of communist-leftist pressure.

Q: You did have Gaidar over to London to talk?

Harris: Yes.

Q: Is the ICRET still functioning?

Harris: It functions, in a manner of speaking. . . . It is all very much personal jockeying in Russia, as I understand it. It's not a clear course, like Thatcher had, with a substantial capability of seeing the thing through, so that—you need a degree of certainty, if you are going to set up enterprises and invest a lot of money from outside. I mean, you need to have more assurance of property rights and security of investment, than you probably have in Russia at the moment.

Q: Could you tell me a bit about the impact of your ideas in Russia? How did these ideas take hold

over there?

Harris: I have met people in Russia. I used to be able to rattle off their names, names like [**Konstantin**] **Kagalovsky** and [**Sergei**] **Vasilyev**, and I have met chaps who are as lively-minded, and open-minded and as liberal-minded, as the people who make up the IEA in London and elsewhere. I have met chaps there who know about [Friedrich von] Hayek. I didn't have to tell them. They have read Hayek and [Milton] Friedman and others, and are very, very bright.

Q: Where did they get the ideas? Mrs. Thatcher met Gorbachov just before he came to power, and said, "Here is a man I can do business with!" Did the IEA's ideas have an impact over there?

Harris: The control over publication was very strong, so the people I met had read [Hayek's] *The Road to Serfdom*, but underground, in much-photocopied, tattered versions. There was no major stream of publications coming into the country. It is quite extraordinary, but, I just believe that what kiboshed the whole communist thing, really, in the end, it was Star Wars. I do think they really saw that they could not get this centralized, planned operation to face up to the Americans. I bet you that is what will emerge from all the history that will unfold.

Dr. Ljubo Sirc

Dr. Ljubo Sirc, Commander of the British Empire, born 1920 in Slovenia, is still honorary head of the Centre for Research into Communist Economies (CRCE, today the Centre for Research into Post-Communist Economies), which was initiated on the base of the IEA in 1983—the year President Ronald Reagan adopted Lyndon LaRouche's war-avoidance conception as the U.S. Strategic Defense Initiative. Lord Harris sat on the CRCE board

Q: How did you happen to run into **Vladimir Mau**, originally?

Sirc: That is a long story. This is the story of our Centre. You see, our Centre [the CRCE] was organized in 1983. With the help of people at the IEA, we started this Centre.

Then we started going to Eastern Europe. For me, that was still impossible, because I was involved in Yugoslav politics and was afraid they would arrest me if I showed up there. But, in 1988, I was, for the first time, invited to Hungary, precisely because they read some of my writings criticizing the Soviet system, and said they wanted me at their conference for that reason. So I went, and gave a critical paper, upon which a young man came to talk to me, and it was **Anatoli Chubais**. So, within a year, I became acquainted with practically all the reformers in the Soviet Union. Gaidar, Chubais, all of them. And this contact still lasts, of course.

[The ideas of von Hayek] are the initial link, because the East Europeans are all very enthusiastic about Hayek, and I personally got involved in this IEA in London, which is one of the think-tanks sponsored by Hayek, which was linked with the Mont Pelerin Society.

Q: What impact did your Centre have on the reforms in Eastern Europe?

Sirc: We all decided that it was necessary to act as quickly as possible. The first one was [future Polish Minister of Finance Leszek] Balcerowicz. With Balcerowicz, I had long discussions.

With the Russians, we had long, lots of meetings and conferences. At some stage, we all met in 1992. *But they were already in power at that moment.* We had two sessions in Indianapolis, under the sponsorship of the Liberty Fund, with two different American teams: one on international trade, and one on the actual mechanism of reforms. So, we had constant discussions.

Q: You said you got started in 1983; the reforms didn't really come along until later.

Sirc: The reforms really started in 1989. Initially, the contacts were with what were then called "dissi-



EIRNS/Stuart Lewis

Then and now: Yegor Gaidar, as acting prime minister in the first Yeltsin Cabinet, implemented the "shock" decontrol of prices, beginning the looting of Russia. Here he is shown at left in the early 1990s, and at right more recently, prior to his death last year.



ents," who, it so happens, all became important persons in their own countries. Balcerowicz became the minister of finance. The Russians have all been ministers and prime ministers and deputy prime ministers, or have been linked with them, so that made life quite interesting. We had all this contact before they took over. These contacts go back, well, with Balcerowicz I had contact in 1985. With the Russians, they came a bit later.

The contact with the Russians was established by going to a meeting in Hungary where they all were. I have to say that this group of Russian reformers was quite well organized. Perhaps "organized," is too much, but they were a group of associates who, even in the mid-1980s, were all very young, between 30 and 40. In the mid-1980s, they sensed that something was going to happen, and wanted to be ready for this.

But, of course, you have very strange people involved. For instance, Gaidar, when I met him, was the economics editor of the Communist Party newspaper.

Q: Where did their ideas come from?

Sirc: I was taken aback by a) their knowledge of English, and b) their knowledge of, let's call it, Western economics. I had a discussion with **Boris Fyodorov**, who was [later] the Minister of Finance. He was my guest in Glasgow. That must have been in 1986. And I congratulated him on his English. They all studied English on their own. And he said, "If you think I learned economics at the university, you are very wrong again. I had to find the books to inform myself."

Q: How did this group come together, in Moscow?

Sirc: They seem to have known each other. And the circle then widened. There were two centers, really: One was in Moscow, and one was in St. Petersburg. Chubais is from St. Petersburg. When they established contact among themselves, they deliber-

ately sent Chubais to spend a year in Hungary, because they wanted to know what the Hungarians were doing. *It was all semi-planned, in a way.*

Vladimir Mau

In 1996, Vladimir Mau was deputy director of Gaidar's Institute for the Economy in Transition. Today, he heads the Russian government's Academy of National Economy.

Q: Who were the economic thinkers you looked to? Was von Hayek important?

Mau: We are too pragmatic [for that]. For me, Hayek is a very respected, but very ideological economist. That is not an economic technique, but it is economic ideology. So, no one believes this, but I do know, for example, that for Gaidar the most important things were Adam Smith and [John Maynard] Keynes. Nobody believes that—Keynes, because our communists, who never read Keynes, believed that Keynes was a communist.

In terms of the philosophy of economy, it is, of course, Adam Smith. I understood not long ago, that all people, especially economists and politicians, are divided into two parts. Those who are seeking a conspiracy in everything—it could be a negative conspiracy like a Zionist plot, or positive—maybe [the State Planning Commission] Gosplan. But the world is under guardians, under management of some kind. And then there are those who believe that if something happens, it happens not because of, but in spite of these attempts to regulate something. I call it the Smithian philosophical tradition. It is very important. If you scrutinize all the political debates in Russia now, it is just based on this. Almost nobody comprehends it, but that is the case.

Q: Did the CRCE have input into the Russian reformers like yourself?

Mau: Definitely. And they formed a very good organizational structure. Frankly, Ljubo Sirc was among the first persons from the West who met with Gaidar, Chubais, etc. In 1986. They were among the first who started to work with younger people, people who were at that time in their late twenties, early thirties. And they launched this collaboration. In 1986, Gaidar was 30. I was 25. I was not at the first meetings.

Q: This was an exchange of ideas, back and forth,

on Adam Smith?

Mau: An exchange of ideas, not restricted with censorship. They met in Budapest, and in Western Europe, mostly in Britain, and in advanced Eastern and Central European countries, and in St. Petersburg. There were seminars with an exchange of ideas. The greater part of our government of 1992, met at these seminars.

Q: So, these seminars were quite important. . .

Mau: All of them, all of us knew each other. And it was a structure where these people had a good chance to meet and discuss, even with each other, not only foreign colleagues, though that was also very important. I think that Ljubo was doing very important—sometimes I think he didn't even understand what he was doing. It was impossible to understand at that time.

Q: So, you and your group had the ideas; how did you come to power?

Mau: That was mostly Gaidar. A new generation was coming, and Gaidar turned out to be in the proper place at the important moment.

And since our institute contributed the most to the government, when it was formed in November 1991—a good part of the government was from the institute—the institute was almost exhausted when the government was formed.

Q: Your institute almost collapsed, because everybody went into the government?

Mau: Absolutely. Gaidar was, as Deputy Prime Minister; [Andrei] Nechayev, Minister of Economics; [Vladimir] Mashchits, Minister of CIS Relations; Aven, Minister of International Economic Affairs; myself, Assistant to the Prime Minister on Economic Policy; [Leonid] Grigoryev, who is now at the World Bank, head of the Committee on Foreign Investment; Vasilyev, Sergei—head of the Center for Economic Reform under the government.

Q: How did your institute get started, originally?

Mau: Ideologically, that is really interesting. Because [Academician Abel] Aganbegyan, who was a prominent economist, is a good businessman. He decided to set up an institute for economic policy, and invited Gaidar to head it. And Gaidar called on his friends, people whom he had published in *Kommunist*.

Andropov's Kindergarten

"Why didn't [the SDI] work? ... Why did Yuri Andropov, who had British antecedents, in terms of influence, ... summarily, without discussion, publicly repudiate any discussion with President Reagan? Because he was controlled by British agents. Now, the core of this, which became nastier and nastier, was associated with a subsequent successor, to Andropov: Gorbachov...."

"Here we are, all this time, all this talk about 'Soviet.' ... We lived in a world in which that was the big issue. And now we turn around, and we find that the key powers inside the Soviet Union itself, working for the British Empire, as traitors to Russia, were actually running many of these operations which we thought were the Soviet operations."

—LaRouche, March 13, 2010 webcast

Economist **Abel Aganbegyan**, mentioned by Vladimir Mau as one of the first sponsors of the Gaidar group, is otherwise famous as the architect of the *perestroika* ("restructuring") and *uskoreniye* ("acceleration") policies, started by Mikhail Gorbachov when he became General Secretary of the Communist Party of the Soviet Union, 25 years ago this Spring.

Behind the rise of Gorbachov was his predecessor, Yuri Andropov, who was identified by *EIR* in the 1980s—besides his ill-starred role in rejecting the Strategic Defense Initiative for U.S.-Soviet strategic cooperation—as having initiated Soviet experimentation with free-trade economics. In 2002, for the first time in the Russian press, a veteran of Soviet intelligence identified in print the grouping and relationships, named by Lyndon LaRouche as "Andropov's Kindergarten," as the force behind the liberal economic reforms that wrecked Russia during the 1990s.

That exposé, written by an author identified as "Vyacheslav K.," appeared in the February 2002 issue of *Stringer* magazine, founded by President Yeltsin's one-time security chief Alexander Korzhakov. It zeroed in on the nexus of Andropov's grouping in the KGB (the State Security Committee, which Andropov headed in 1967-83), as being rooted in the patronage of Andropov's Communist Party career by Finnish Communist International leader Otto Kuusinen, and in the International Institute of Applied Systems Analysis (IIASA) in Laxenburg, Austria. IIASA was an arrangement, deadly to Russian economic planning, which was

built up after U.S. National Security Advisor McGeorge Bundy (senior figure of the Anglophile U.S. financial establishment, architect of the Vietnam War, and overseer of the cover-up of President John Kennedy's assassination) reached an understanding with KGB figure Dzhermen Gvishiani in 1967.

"Vyacheslav K." described Andropov's strategy, which occurred in the setting of economic hardship and food rationing in the Soviet Union after the late-1970s plunge of oil prices, as a plan for the Soviet Union, "as a huge corporation, financially independent, economically sustainable, and possessing a huge technological potential, concentrated in the military industry.... Andropov's idea was to convey modern technologies to Russia's industrial corporations, which would be allowed to attract foreign investments."

The *Stringer* article then characterized the recruitment of the Kindergarten: "Andropov made a decision to develop economists for 'Corporation U.S.S.R.' from scratch, and outside the country. The function of ideological control was, definitely, assigned to the KGB apparatus.... As a base for the foreign training of economists, Andropov selected IIASA [in Vienna]. No wonder the young cadres, deployed to Vienna, immediately came under influence from well-trained foreign intelligence 'specialists in management.'... As a result of strict selection, during which some of the students left the experiment on ethical grounds, getting bored with constant manipulation, the team of those who completed their education on the base of IIASA [and its Moscow branch], included persons such as Pyotr Aven, Anatoli Chubais, and Yegor Gaidar.... The resulting team ruined the Russian economy.... That was a direct result of Andropov's personal influence: Andropov was a pupil of Kuusinen, who was supposed to become the leader of Soviet Finland after the planned victory which did not happen."

Both of the highlighted aspects of Andropov's orientation—his political descent from the so-called "right-wing" Soviet and Comintern circles of Nikolai Bukharin, Eugen Varga, Otto Kuusinen, and others, and his interest in systems analysis—point to one of the great secrets of 20th-Century history: the special relationship between the upper echelons of British Intelligence and a layer within the Soviet leadership.

Kim Philby, the famous British Intelligence "defector" to Moscow in 1963, was a part of that configuration. Philby's status as a "triple" agent, continuing to represent British interests throughout his career, was

discussed by LaRouche in a ground-breaking series of articles starting in 1979. In 1988, just weeks before his death, KGB Gen. Kim Philby gave a series of interviews to Philip Knightley for the London *Sunday Times*. “Andropov was a fine man and a fine leader—a tragedy he died so soon,” Philby opined, “and in Gorbachov, I have a leader who has justified my years of faith.”

Where Are ‘Our Men’ Today?

Listed here are the career highlights and current posts of members of the London-trained Russian group, named by Lord Harris and his friends.

Government or State-Owned Institutions

Anatoli Chubais. B. 1955. Professor at the Leningrad Economic Engineering Institute in the 1980s. Chairman of Russian State Property Committee (for privatization), 1991-94. Deputy Prime Minister, 1994-96. Chief of the Kremlin Administration, 1996-97. Deputy Prime Minister, 1997-98, and Minister of Finance (1997). CEO of United Energy Systems (the national electricity utility), 1998-2008.

Currently: CEO of Rosnano, the national nanotechnology company, since 2008. Member of JP Morgan’s international advisory council, since 2008.

Alexei Kudrin. B. 1960. A member of Chubais’s “Perestroika” club in St. Petersburg, founded in 1987. St. Petersburg city government, 1990-96. First Deputy Minister of Finance, 1997-2000.

Currently: Minister of Finance, since 2000, and Deputy Prime Minister, since 2007.

Vladimir Mau. B. 1959. Advisor to Acting Prime Minister Gaidar, 1991-92. Deputy Director of Gaidar’s Institute for the Economy in Transition, 1993-97. Director of the Russian Government’s Working Center for Economic Reforms, 1997-2002.

Currently: Rector of the Academy of National Economy, Government of the Russian Federation, since 2002.

Andrei Nechayev. B. 1953. First Deputy Minister of Economics and Finance, then Minister of Economics, 1991-93.

Currently: President of the state-owned bank, Russian Finance Corporation, since 1993.

Alexei Ulyukayev. B. 1956. Worked at the *Kommunist* editorial office with Gaidar, in the 1980s. Advisor to the Gaidar government, 1991-94. Deputy Director of Gaidar’s Institute of the Economy of the Transitional Period, 1994-96, 1998-2000. First Deputy Minister of Finance, 2000-04.

Currently: First Deputy Chairman of the Central Bank, since 2004. The Central Bank’s chairman since 2002, **Sergei Ignatyev**, was also a Deputy Minister of Economics and Finance in the Gaidar and subsequent governments in the 1990s.

Sergei Vasilyev. B. 1957. Director of the Government’s Working Center for Economic Reform, 1991-94. Deputy Minister of Economics, 1994-97. Deputy Director of the Kremlin staff for finance and economics, 1997-98. Chairman of the Board of the International Investment Bank, 1998-99. Member of the Federation Council (Senator), including as Chairman of the FC Committee on the Financial Markets and Monetary Circulation, 2001-07. Chairman (from 2004), Deputy Chairman (currently) of the Board of the National Association of Stock Market Participants (NAUFOR).

Currently: Deputy Chairman of the state-owned Vneshekonombank (VEB), the Bank for Development and Foreign Economic Activity, since 2007. VEB has been the main, “system-forming” bank handling disbursement of government bailout funds since the Autumn of 2008.

Private Sector

Pyotr Aven. B. 1955. International Institute for Applied Systems Analysis, 1987-91. Chairman of State Committee for Foreign Economic Ties/Minister of Foreign Economic Ties, 1991-92. Founded consulting firm Pyotr Aven’s Finances, 1993.

Currently: President of Alfa Bank, since 1994.

Leonid Grigoryev. B. 1947. At Institute of the World Economy and International Relations (IMEMO), 1971-91. “500 Days” plan co-author. Deputy Minister of Economics and Finance, Chairman of the Committee on Foreign Investment, 1991-92. Advisor to the World Bank’s Russia directorate, 1992-97. Advisor to the Russian Union of Industrialists and Entrepreneurs, 1997-2001.

Currently: President of the Association of Independent Economic Analysis Centers, since 2002.

Konstantin Kagalovsky. B. 1957. Held various positions representing Russia to the International Monetary Fund and the World Bank, 1991-94. Executive of the private sector Bank Menatep (from 1994) and of Yukos Oil (1998-2002), which Menatep obtained through a loans-for-shares auction. His wife, Natalia Gurfinkel-Kagalovsky, figured in the Bank of New York money-laundering scandal in 1999. Kagalovsky moved to London permanently, as the Russian government cracked down on Yukos in 2003-04, its CEO Mikhail Khodorkovsky ending up in jail. In 2004, he organized a U.K.-based consortium in an unsuccessful bid to buy Yukos from the Russian government.

Currently: London-based emigré, involved in litigation against his erstwhile business partner in a 2008 media venture, Vladimir Gusinsky, a mid-1990s Russian tycoon who also left the country (becoming a dual citizen of Israel and Spain).

Deceased

Yegor Gaidar. 1956-2009. Economics editor of the Communist Party journal *Kommunist* in the 1980s. Minister of Finance, 1991-92. Acting Prime Minister, June-December 1992. First Deputy Prime Minister and Acting Minister of Economics, 1993-94. Director of the Institute for the Economy in Transition, 1990-2008. Died at age 53 following a heart attack, December 2009.

Boris Fyodorov. 1958-2008. At IMEMO during the 1980s. “500 Days” plan co-author. Minister of Finance, 1993-94. Founder and head of United Financial Group (investment bank), 1994-2005. Head of UFG Asset Management, including UFG Private Equity, 2005-08. Died at age 50 of a stroke in London, November 2008.

London Clique Seeks Control of ‘Modernization’ Policy

Anatoli Chubais, that veteran of the devastation of Russia’s economy through London-scripted monetarism in the 1990s, is currently at the center of efforts to take over President Dmitri Medvedev’s announced policy of economic “modernization and innovation.” Besides posturing as a “liberal imperialist,” Chubais has worked up his resume as an efficient corporate manager (for overseeing the break-up of UES), and as the go-to guy for allegedly cutting-edge technologies, with the emphasis on finding lucrative market niches for

Russian products.

As in the West, such a fixation on digitization, IT, and “nano” as the heart of technological innovation is a diversion from essential tasks of developing physical infrastructure, space exploration, and more energy-dense technologies like thermonuclear fusion power. Reporting to Prime Minister Putin Feb. 2, on the operations of Rosnano, the national nanotechnology corporation he has headed since 2008, Chubais waxed so lyrical about “whole sectors, which didn’t exist before, and are being born before our very eyes”—like production of solar energy batteries!—that Putin advised him to focus more on “our own economy and our current needs,” on “such very important areas as new materials and microelectronics.”

Working with Chubais are members of the original London-schooled clique that seized control of the Russian government in 1991, such as the late Gaidar’s right-hand man, Vladimir Mau, now rector of the Russian government’s Academy of the National Economy. Other high-ranking government officials are marching to Chubais’s drum, notably including Deputy Prime Minister and Finance Minister **Alexei Kudrin**, whose frequent consultations in the City of London, and call for “global Maastricht” strictures against government credit-creation, earned him the title of “subprime minister” from LaRouche.

Every aspect of economic policy in Russia is currently being discussed under the umbrella of the “modernization and innovation” campaign, which Medvedev launched with the creation of his Commission on Modernization and Technological Development of the Russian Economy in May 2009. Its five areas of concentration are energy efficiency, nuclear power, space technologies with an emphasis on telecommunications, medical diagnostics and pharmaceuticals, and IT. The Commission’s meetings on nuclear power, held at the Academy of Sciences’ Kurchatov Institute and the national weapons lab in Sarov, have included a healthy perspective for the nuclear power sector, of moving from improvements in Russia’s workhorse VVER pressurized water reactor design, to accelerated development of plants based on full fuel-cycle breeder reactors, and on to fusion power not too much later.

When it comes to IT and the other areas, however, the Chubais clique is introducing psychedelic levels of insanity, elevating the failed post-1968 policy trends of the West to a status from which they could derail any prospect of industrial modernization. Since the begin-

ning of 2010, Kremlin aides **Sergei Naryshkin** and **Vladislav Surkov**, under the influence of the Chubais group, have raised the banner of “creating a Russian Silicon Valley”—as if oblivious to what that famous California district looks like now, after the dot-com crash and real estate deflation: a zone where you can drive past miles of empty office buildings, punctuated by foreclosed McMansions and homeless former programmers, some of them visibly deranged, living on the street. Surkov says that Russia needs small, innovative companies like the ones around Stanford University and the Massachusetts Institute of Technology. Chubais’s Rosnano is supposed to be curator of the project.

On Jan. 25-26, Chubais and Surkov came to MIT on what was practically a stealth visit, with no media coverage in the United States, and only one substantial article in Russia, to attend seminars on “MIT’s experience in supporting and promoting innovation.” With them was a big chunk of the Russian Cabinet and Kremlin staff: First Deputy Prime Minister Igor Shuvalov, Subprime Minister Kudrin, Deputy Prime Minister Sergei Sobyanin, Economics Minister Elvira Nabiullina, Kremlin deputy chief of staff and economics advisor Ardaki Dvorkovich, State Savings Bank (Sberbank) CEO German Gref, Mau, and the CEO of Russian Venture Company Igor Agamirzian. The emphasis, as a U.S. Department of Commerce release put it, was on “commercialization of technology, bringing innovations from the laboratory to the marketplace.”

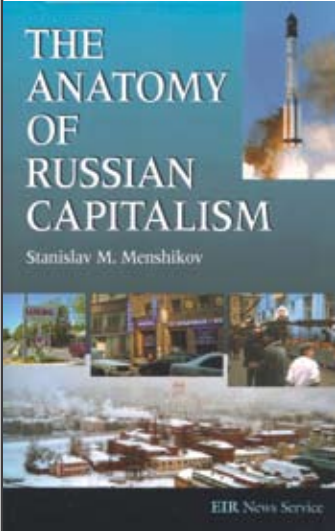
On Feb. 11, Medvedev convened a session of the Commission on Modernization, in the Siberian city of Tomsk, dedicated to the role of the private sector in modernization. To give the keynote presentations to the two dozen top government officials and corporate CEOs in attendance, he invited Chubais and Kudrin, who gave a report-back on their MIT expedition. Chubais put forward the notion that success will be measured when “the market” decides that a start-up is “a viable innovation company.”

Medvedev himself reconfirmed what LaRouche has called the “greatest blunder” in recent Russian policy, namely, downgrading the role of the Academy of Sciences, by saying that the “inspiring” list of proposals for technological breakthroughs, submitted by the Academy, needs to be vetted, and that, “with all enormous due respect to the Academy of Sciences, it would not be a bad idea for this to be done by the business world.”

One of Surkov’s innovations is to regularize input from abroad, not only by excursions to MIT, but by

bringing delegations to Russia. Thus, a joint U.S. government/IT sector/Hollywood delegation arrived in February to visit Moscow and the science center of Akademgorodok in Novosibirsk. They set out to advise Russian leaders on guiding their economy into new technologies, with the advice being provided by “high-ranking leaders of U.S. technology companies,” who joined Obama Administration officials on the Feb. 17-23 trip: the CEOs of online flea market eBay, Internet software maker Mozilla, and the Social Gaming Network, along with officials from IT companies Microsoft and Cisco Systems, and Esther Dyson, known for success with lucrative start-up ventures in the virtual world. The group received huge publicity in Russia because it also included actor Ashton Kutcher, who provided play-by-play to the 4.5 million subscribers to his Twitter feed.

From the U.S. government, the delegation was led by Jared Cohen of the State Department policy planning staff, and included National Security Council official Howard Solomon, chief technology officer Aneesh Chopra, and Ambassador John Beyrle. They were hosted by Surkov, who has recruited Dyson as one of three for-



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eign members of his working group on the “Russian Silicon Valley.” They met with him and Kremlin economics advisor Dvorkovich twice, also visiting the Russian Union of Industrialists and Entrepreneurs, and the government ministries of economics, education, communications and health, as well as meeting with representatives of Rostelecom, the search engine firm Yandex, and the anti-malware company Kaspersky Laboratory.

In a Feb. 18 press conference, held at Russian State TV and Radio, Cohen spoke in the lingo of globalization. He hailed “social networking” as the statecraft of the 21st Century, and said that social-networking-based “multi-stakeholder partnership” (“stakeholders” being newspeak for “the public”) was the way to go, on education, health, and other social issues. Kutcher chimed in that his “tweets” about Russia’s desire to master high-tech will enable Russia to get tons of free advice from all over the world, in a process dubbed “crowd-sourcing.”

Russia and the ‘Offshores’

“And if you want to find the offices of the people who run the Russian economy, in terms of this financial operation, they all are located outside Russia, in British territory!”

—LaRouche, March 13, 2010

The allegiances developed in the Gaidar-Chubais 1990s continue to poison Russia’s strategic economic policies today. Deep institutional entanglement of Russian companies with London-centered speculative money-flows not only serves as a mechanism for continued looting of Russia, but creates a powerful lobby within the country in favor of one global financial sucker scheme after another.

On Feb. 27, Russia’s Deputy Prosecutor General Alexander Zvyagintsev blasted the role of Britain in harboring Russian fugitives from justice, especially those wanted for financial crimes. “No wonder so many of them call the British capital ‘Londongrad,’” Zvyagintsev told the government daily *Rossiyskaya Gazeta*, “These are not just small pickpockets, but figures with substantial funds.” Zvyagintsev cited the U.K.’s loose asylum laws (which have also been a factor in another of London’s nicknames: “Londonistan,” haven for terrorists) and the City of London’s status as the premier world financial center, which provides ways for criminals to conceal their ill-gotten profits.

If shadow-economy profits were the only issue, a straightforward law enforcement approach could make headway. What Zvyagintsev didn’t go into, however, is a much bigger elephant in the room: the huge portion of the Russian economy which has been integrated into the global hot- and fake-money flows of the Inter-Alpha Group and related financier interests. This, too, is part of the legacy of the 1990s that Chubais would like to be “irreversible.”

At a meeting on attracting foreign investment to Russia, held earlier this year, President Medvedev lamented that as much as half of “foreign” investment in the country actually comes from Russian companies that have their legal registration offshore. This is one of the reasons why the top four foreign investor-countries for Russia in 2009 were Cyprus, the Netherlands, Luxembourg, and the U.K., in that order.

A March 3 article in the St. Petersburg newspaper *Nevskoye Vremya* reported that, “by conservative estimates, 90% of Russia’s major [privatized] companies belong entirely or partially to offshores.” The article cited a number of famous cases in point: the Alfa Group of **Mikhail Fridman** and **Pyotr Aven** is registered through companies in Gibraltar, Luxembourg, the British Virgin Islands, and the Netherlands; **Oleg Deripaska**’s Basic Element, the holding company for Rusal (aluminum), the GAZ auto complex, and a major insurance company, is registered through a holding company in the British Crown dependency called the Bailiwick of Jersey, which holding company, in turn, belongs to a firm registered in the British Virgin Islands; **Roman Abramovich**’s Yevraz steel empire is registered as a Cyprus company; the NLMK steel complex, property of Russia’s richest man, **Vladimir Lisin**, is run through the offshore Fletcher Holding Ltd.; and **Victor Vekselberg**’s Renova is registered in the Bahamas.

In *The Anatomy of Russian Capitalism*, Professor Menshikov detailed how this pattern developed, with the ill-gotten fortunes of the 1980s Gorbachov *perestroika* era passing over into still more ill-gotten fortunes of the 1990s Gaidar-Chubais privatization. It was profitable for the new “oligarchs” to keep their money offshore, avoiding various Russian taxes.

Nevskoye Vremya quotes Kudrin, one of the key members of the Gaidar-Chubais clique still in power today, covering for these practices: “Our budget loses from optimization [tax evasion—*NV* editors] through offshores, but it’s not illegal.” At the same time, Kudrin is cutting funding to Russian Railways and other na-



EC/G. Goulougouris

Russian First Deputy Prime Minister and Finance Minister Alexei Kudrin (left), with Britain's European Union Trade Commissioner Lord Peter Mandelson ("Randy Mandy of Rio"), in Brussels, March 18, 2008. LaRouche dubbed Kudrin the "subprime minister" for his enthusiastic embrace of British economics.

tional infrastructure projects, in pursuit of his avowed goal of outdoing the European Union's Maastricht conditionalities by a factor of three: Kudrin wants Russia's budget deficit to be no greater than 1% of GDP.

A great majority of Russian companies that have staged IPOs, have done them on the London market. Meanwhile, the U.K.'s Business Secretary, Lord Peter Mandelson, boasts that a thousand British companies are now doing business inside Russia. Major banks like Barclays and Big 4 accounting firms including Ernst & Young and PriceWaterhouseCoopers, not to mention the investment bank N.M. Rothschild (whose Russian involvement in the last century featured Lord Victor Rothschild's history in and around Kim Philby's circles), have hefty operations in Moscow. The same goes for leading Inter-Alpha Group institutions such as Banco Santander: Its Santander Consumer Bank makes loans in the extensive Russian used-car market, while Santander's head office has pursued special cooperation agreements with institutions ranging from the Foreign Ministry university MGIMO to the entire Siberia Federal District.

Accepting the ways and practices of such degenerate and bankrupt institutions as normal, Russia is set up to act as if self-damaging policies were actually "competitive advantages" that would promote Russian national

interests. This is currently the case with a push for development of a "Russian carry trade," mimicking that of Brazil; foreign money is supposed to be attracted to Russian stocks and bonds with 8% or higher interest rates, in what looks like a replay of the lead-up to the 1998 crash, when speculative money flows poured into Russia.

The grip of British monetarist practice on whole swathes of Russian economic activity was dramatized in the December 2009 newsletter of MICEX, one of Moscow's two main stock exchanges, which promoted such a carry trade. One of the shorts in *The MICEX Newsletter* section, "Macroeconomic Review," asserted, "In 2010, the possibility of conducting carry trade transactions will contribute to the strengthening of the ruble. Even if the Bank of Russia continues to lower interest rates, the overnight repo rates will remain substantially higher than interest rates in the USA and the EU."

Saner heads, such as Chamber of Commerce and Industry head Academician Yevgeni Primakov, have pointed to the already more than \$500 billion foreign holdings of Russian corporate debt as a strategic vulnerability of the nation. Yet, London-centered monetarists continue to hype the ability of the Moscow markets to attract speculative capital as a great plus for Russia.

In 2009, even as Russian goods production collapsed and unemployment surged, the Russian RTS stock market surged by 233%. On March 11, 2010, the British wire agency Reuters crowed that the Russian ruble had hit a 14-month high, on the basis of rising oil prices and the carry trade. The London *Financial Times* of March 12 headlines that "Russia's hot ruble keeps seducing foreign investors."

Even the Central Bank, which is run by veterans of the London-steered free marketeers' hegemony in the 1990s, is alarmed at how rapidly the ruble is surging, tightening financial resources available inside the country. The Central Bank is lowering interest rates, accordingly. The *FT* gloats that Russia is still "the weakest link" in the BRIC (Brazil, Russia, India, China) countries, "but that is not stopping the speculators showing a rational—or perhaps irrational—exuberance for the ruble."