

# 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-

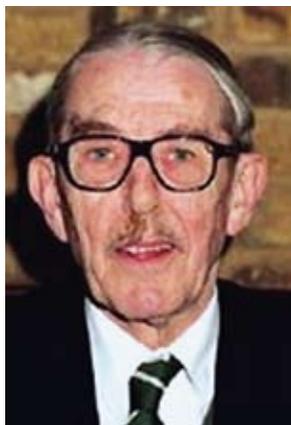
mous Mont Pelerin Society, the British economic warfare unit founded in 1947 by London School of Economics Prof. Friedrich von Hayek. Mont Pelerin's mission: to use the free-trade "liberalism" of 18th- and 19th-Century Britain as a bludgeon against nation-states, which had been strengthened during the 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.