

# Shock therapy in Russia

*This chronology of disregarded warnings and proposals for reasoned political-economic dealing was translated from the German weekly Neue Solidarität of Oct. 19, 1994. It illuminates the background of the economic collapse in the former Soviet Union, which has become clear with the crisis of the ruble. Neue Solidarität is the newspaper of the LaRouche movement in Germany.*

## LaRouche's proposals and warnings

## Warnings and reactions from other quarters

### Before 1991

#### Oct. 12, 1988

Lyndon LaRouche proposes an agreement with Moscow for "a sort of Marshall Plan," at a press conference in Berlin. The crisis-shaken Soviet Union would be guaranteed economic and food help, in return for the self-determination of eastern Europe, beginning with Poland and East Germany.

#### November 1989

After the fall of the Berlin Wall, LaRouche proposes an all-European infrastructure program. Through the development of a modern transport, energy, and communications infrastructure and targeted productivity increase through technological progress, the "Paris-Berlin-Vienna Productive Triangle" could soon become the locomotive of the world economy.

### 1991

#### March

At a Berlin conference of the Schiller Institute, over 100 economic specialists from western and eastern Europe, including Lithuania, Latvia, Russia, and Armenia, agree on a "Berlin Declaration" which calls on European governments to realize the above program.

#### July

LaRouche writes in his book *The Science of Christian Economy*, p. 339, "In dealing with Moscow, currently (1991), from 'the West,' one approach will assuredly produce nothing but disaster for all concerned: Continue to insist that Moscow et al. submit to the disastrous 'Polish Model' of International Monetary Fund [IMF], Group of Seven, Schacht-like 'conditionalities,' as a 'precondition' for this or that."

#### August

After the failed putsch in Moscow, *Neue Solidarität* No. 34 appears with the headline, "Revolution in Russia. The people have defeated the inner enemy. Will it also defeat the IMF-diktat and win real economic reconstruction?"

#### July 6, 1990

Economist John Kenneth Galbraith attacks "shock therapy," telling the *Financial Times*, "This, and I choose my words carefully, is insanity."

#### July 10-12, 1990

President George Bush visits Poland and Hungary, and rules out significant aid to their breakaway from communism, saying that "giving too much money might create a problem," and calling for sacrifice.

#### Nov. 14, 1990

Gorbachov says, "German reunification is not on the agenda."

#### August

Sir Harvey Jones, former head of Britain's Imperial Chemical Industries (ICI), writes in the *London Observer* of Aug. 25: "As far as I can see, we proffer an almost mystical belief in the ability of the market, and good old Adam Smith's invisible hand, to sort out and rebuild. . . . I am one of those who felt that the pressures exerted by monetarism in the U.K. in the early 1980s and again now, were too great, and wasted too much of our manufacturing base. . . . What all these countries [in eastern Europe] need is help of the most basic kind from pragmatic, experienced managers who are not there for a quick buck, but will own the problems and stick with them. The other thing they need is anathema to free marketeers: some kind of industrial policy—at minimum directing scarce resources into priority areas. . . . If we only apply the yardstick of world competition, monetarism and economic pressure, we are likely to kill the patient rather than revive him."

## LaRouche opponents' policy

## What actually happened

### Sept. 6, 1989

Harvard's Jeffrey Sachs advises Poland: "The new government should take the shock now: It can deal with political realities later."

### Nov. 16, 1989

The *Times* of London reports Prime Minister Margaret Thatcher's "reassurance to Gorbachov that the West will not try to poach East Germany."

### July 12, 1990

British Minister of Trade and Industry Nicholas Ridley compares German Chancellor Kohl to Hitler.

### Nov. 9, 1989

The Berlin Wall is forced to open, precipitating the fall of communism.

- During 1989, Polish workers' wages fall 30% from their level under communism, according to Economics Minister Marcin Swiecicki, who tells the press, "We are following the economic model of Jeffrey Sachs precisely."

### Oct. 3, 1990

Germany is reunified; Bush and Thatcher decline to attend ceremonies.



*Berlin's Brandenburg Gate after the Berlin Wall came down.*

### August

U.S. Secretary of State James Baker opposes a new Marshall Plan for the former Soviet Union on television on Aug. 25, saying, "We shouldn't make the same mistake we did in the 1970s, where we poured a lot of money down a rat hole" in Poland.

- American neo-conservative publicist Sol Sanders tells *EIR* that the U.S. should not give the U.S.S.R. a single penny. "Let them disintegrate. It will take the Russian military a very long time to pull itself together. . . . This coup was just the beginning. There will be many more coups in the future."

- The newsletter of the Wall Street brokerage firm Prudential-Bache says on Aug. 20 that it cannot predict whether the Moscow coup attempt will succeed or not, but it can say that "the coup will make the United States a more interesting place to invest in the 1990s."

### August

The Moscow coup attempt is defeated because decisive parts of the Army leadership, especially the airborne troops under Colonel General Grachov and Major General Lebed, support Parliamentary President Yeltsin. Vice President Rutsokoy plays an important role in the coordination between Yeltsin and the military.

## September

*Neue Solidarität* No. 35 carries the headline, "Yes to the Productive Triangle! No to IMF Shock Therapy! The Soviet Republics Now Need Western Help for Reconstruction." The article says, "Reconstruction in Europe requires breaking with the IMF, for IMF shock therapy is a dagger in the back of the reformers."

## December

LaRouche pushes for a rapid currency reform in Russia and Ukraine to avoid a collapse of the ruble. He says that what is needed is not a Russian or Ukrainian currency with gold backing, but a currency with gold-reserve backing, as was the case with the Bretton Woods system before 1967-68. The Russians, the Ukrainians, and the Community of Independent States [CIS] as a whole must agree on certain customs and trade barriers in order to support the currency. The point is to hold interest rates low while keeping the scope for economic agreements as wide as possible.

## 1992

### January

*Neue Solidarität* No. 1-2 writes: "LaRouche views the freeing of prices as disastrous. The absurdity of freeing of prices according to the [Jeffrey] 'Sachs model' consists in the fact that a free price mechanism is introduced although no 'market' exists overall. A great part of supply is controlled by mafias which display a peculiar symbiosis with the communist apparat and organized crime. . . . Too few goods are produced, and the goods produced are systematically hoarded by mafias. The scarce goods are administratively allotted to the 'black/green' markets by the mafias, since open internal markets with a free supply of goods do not exist. The freeing of prices allows the mafias to maximize their profits through constantly increasing prices. . . . For LaRouche it is unquestionable that monetary and economic stabilization of Russia, Ukraine and the other CIS states can only succeed on the path of dirigism. LaRouche considers state currency controls, state foreign exchange management, the creation of state credit for production, and state ownership of infrastructure, a great part of major industry and banking as unavoidable for the near future. . . . LaRouche proceeds from the understanding that the continuation of the Gaidar/Sachs program in Russia will lead in the immediate future to a regime of rule by decree including the military, in order to assure basic supplies to the population and restrain or destroy the mafias."

### March

Deputies and representatives of various political parties from Poland, Ukraine, Hungary, Germany, Italy, France, and other countries meet for a working session with LaRouche associates in Kiedrich, Germany, on the theme, "Development Is the New Name for Peace—the Need for a Eurasian Infrastructure-Reconstruction Plan." In a common declaration, they ask "to remove the restraints which the conditionality policy of the IMF imposes on national economies, through the sovereign decisions of the peoples' elected representatives."



Yegor Gaidar, the IMF's "enforcer" in Russia.

### January

Yeltsin's vice president, Aleksandr Rutskoy, warns of a new putsch which will not be comparable with that of 1991. It will be undertaken by the same circles which frustrated the putsch of 1991, and will direct itself against the mass pauperization of broad parts of the population.

- Russian economist Grigory Yavlinsky describes Gaidar's "floating of prices" as "stupidity" which will lead to "an unstoppable galloping inflation." Central Bank official Matyukhin criticizes the freeing of prices, Ruslan Khasbulatov, the speaker of the parliament, demands the resignation of the government on Jan. 13, saying, "We are entering a situation in which we [the parliament] must either convince the President to dissolve the incompetent government, or do it ourselves."

- On Jan. 22, Melvin Fagen, former director of the U.N. Economic Commission for Europe, writes in the *International Herald Tribune* that Yeltsin's shock therapy program is "likely to bring economic anarchy that destroys nascent democracy throughout the former Soviet Union. . . . In fact, prices have not been liberalized; they have been hijacked. . . . Abrupt price increases have weakened the ruble. The dollar is becoming the unofficial currency. . . . A majority in the Russian parliament appears not to be prepared to agree to shock therapy. Yeltsin should concede to the will of the people."

### February

Axel Lebahn, responsible for eastern Europe in the leadership of Deutsche Bank until 1992, writes in *Wirtschaftswoche* criticizing shock therapy as totally unsuitable for Russia. Nor will conditions exist for the convertibility of the ruble for a long time.

### March

Vice President Rutskoy accuses Yegor Gaidar and Yeltsin's economic advisers Gennady Burbulis and Sergei Shakhrai of "unconditional submission to the IMF-diktat."



*Jeffrey Sachs, Harvard University's "flea market" economist, specialist in destroying nations.*

**September**

The Soviet Union is transformed into a Commonwealth of Independent States (CIS).

**December**

The Soviet Union is officially dissolved.

**January**

Under pressure from the IMF, Yegor Gaidar and a committee of 13 advisers led by Jeffrey Sachs and Anders Åslund win the upper hand in the Russian government. The ruble is made convertible on Jan. 2. Its exchange rate against the U.S. dollar starts at 70 to the dollar, but falls to about 3,000 to the dollar over 36 months. Prices are freed for 90% of consumer goods and 80% of industrial goods. Presidential Decree 65 is promulgated on Jan. 29, allowing anyone to trade with anyone else.

**January**

Within two weeks of freeing prices in Russia, consumer goods prices climb four- to fivefold.



*The black market thrives at a Moscow subway station, as real production collapses.*

**March**

David Mulford, Bush's undersecretary of the treasury for international affairs, goes to Moscow to speed the implementation of the IMF "adjustment program."

- Under IMF pressure, state payments to enterprises are cut, and the enterprises are allowed in return to become more deeply indebted to each other. State debts are thus transformed into debts between enterprises.

- In the first quarter of 1992, the Russian Central Bank raises the interest rate it charges to state banks from 2% to 80%. All interest rate limits for bank loans are abolished, so that ruble credits for investments become unpayable.

## April

Helga Zepp-LaRouche warns against a continuation of the IMF conditionalities policy at a conference of the Schiller Institute, Polish Rural Solidarity, and the New Europe Working Group on April 7 in Warsaw. "The economy must exist for the people, not the other way around," she says.

## August

*EIR Strategic Alert* newsletter warns for the first time that because of public opposition to the decreed austerity measures, Yeltsin may set up a regime of presidential emergency rule.

## October

Helga Zepp-LaRouche warns against shock therapy in a lead article in *Neue Solidarität* No. 40. She says that it will lead to severe ethnic conflicts in Russia and to a new East-West conflict. Only one economic strategy offers an alternative, that resting on the "Productive Triangle."

- *EIR Strategic Alert* predicts Gaidar's fall in December.

## November

Schiller Institute representatives present a detailed critique of shock therapy at an economic conference with Moscow's Russian State University for the Humanities. Alternative strategies for real economic reconstruction are discussed. The Russian translation of LaRouche's book *So, You Wish to Learn All About Economics?* is presented.



*Helga Zepp-LaRouche at a conference of the Civil Rights Movement Solidarity in Kiedrich, Germany.*

- The Civil Rights Movement-Solidarity party is founded on Nov. 21-22, at the initiative of Helga Zepp-LaRouche. It presents its programmatic "Kiedrich Theses": "Three years after the memorable days of November when the Iron Curtain fell in Europe, we stand before the greatest shambles in world history. Instead of letting the great Eurasian continent grow together through an economic development strategy for the East, we abandoned the field to the 'free market'—that is, to the money-hungry sharks of 'Mafia West' and 'Mafia East'—and gave the IMF a free hand to approximately halve industrial production and living standards in Eastern Europe. . . . From Washington and London we hear it ever more baldly stated that until further notice, 'instability' on the Eurasian continent is in the Anglo-American interest. . . . Behind the sterile word 'instability' hides the horrible reality of war. The Serbian war of conquest in former Yugoslavia, blessed now by the Anglo-American as formerly by the Soviet side, is the beginning of a new *Thirty Years' War*. . . ."

## July

Professor Balcerek of the Warsaw Institute of Statistics and Planning tells Frank Hahn of the Schiller Institute, regarding the IMF program in Poland, "Of the industrial labor force of 14 million, the IMF only wants to keep 3-4 million. . . . Forty to sixty billion zlotys capital flight in 1991 accompanied a 70 billion deficit. . . . Foreign investors have put 70% of their money into the 'services sector,' that is, circulation of financial paper and speculation. . . . The 30% 'productive' investments mean ordinarily that the remains of **once viable** enterprises are taken over dirt cheap, in order to place Polish workers at the lengthened work-benches of western enterprises at starvation wages."

- Belarus Prime Minister Vlacheslav Kebich tells Paris daily *Le Monde* that Polish President Lech Walesa had warned him in two private conversations, never to repeat Poland's mistakes with IMF shock therapy in Belarus.

## September

Istvan Csurka, co-founder of the Hungarian Democratic Forum, raises the first public criticism of the dominant influence of the IMF in the Hungarian economy in the newspaper *Magyar Forum*. Csurka says that it shows the worst effects.



*Istvan Csurka, cofounder of the Hungarian Democratic Forum party, and a critic of the IMF.*

## December

In a parliamentary address, Aleksandr Rutskoy criticizes the IMF with a sharpness unseen until now. Russia should reject the IMF-diktat and turn to a "mixed system of economy" with a strong role for the state. He calls for a program to encourage private farming, in order to lessen Russia's dependence on food imports.

**April**

Under pressure from Parliament, Yeltsin removes Yegor Gaidar from his post as finance minister. Gaidar still remains deputy prime minister, however.

**June**

Russian retirees must pay 80% of their pensions for food. Per capita meat consumption has fallen about 70% since November 1991.

- Russia's inflation rate reaches 740%. Debts of state industries have risen from 60 billion rubles in January 1992, to 2.2 trillion rubles.

**July**

Mass protests against the IMF in Poland. The farmers' organization "Samobrona" (Self-Defense) blockades highways. Strikes break out in the Silesian coal areas because the World Bank wants to shut down 51 of the 70 mines.

- Inflation is so great in Russia that the cash does not exist to pay wages. In July, the total of unpaid wages reaches 65 billion rubles, which corresponds to the income of one-fifth of the population.

**September**

Anglo-American media began a campaign against Hungarian politician Istvan Csurka for "anti-Semitic remarks" because he had criticized the IMF and speculators like George Soros.

**November**

Ukraine introduces its own currency, the karbovanets. It begins with a parity of 1:1 to the ruble and 1,000:1 to the dollar. After 36 months, it is 80,000:1 to the dollar.



*Viktor Chernomyrdin replaces Yegor Gaidar as prime minister; IMF policies continue in modified form.*

**December**

Power struggle between Yeltsin and the Russian Congress of People's Deputies, which refuses to confirm Gaidar as prime minister. A little later, Yeltsin must give way: Yegor Gaidar is replaced as prime minister by Viktor Chernomyrdin.

1993



President Clinton: LaRouche advises him to ditch IMF policies immediately.

### March

LaRouche writes, in a memorandum for the summit meeting between Boris Yeltsin and new U.S. President Bill Clinton, that the two Presidents must solve two problems before all else: The Balkan war must be ended, and the old Soviet debts must be reorganized in order to allow an economic upswing in Russia. To sacrifice peace with Russia for the bankrupt IMF structures would be pure insanity.

### May

William Engdahl and Dr. Jonathan Tennenbaum of the Schiller Institute explain LaRouche's proposals for starting up the engines of the economy of Russia and of the other CIS states, at a conference of the Russian Institute for Strategic Studies in Moscow.

### June

An international conference of the Schiller Institute in Bonn discusses the theme, "Ensuring Durable Peace in Europe" through economic cooperation. Participants include top economic experts from Russia, Ukraine, and almost all eastern European countries.

### July

*EIR Strategic Alert* forecasts that domestic political developments in Russia this fall will be as dramatic as the putsch of August 1991.

- LaRouche, in a radio interview, warns of a neo-imperial hardening of Russian politics due to the impoverishment of the population, and of the growing sense there that the degradation of Russia was a deliberate objective of the shock therapy dictated by the West. The new Russian Empire will increasingly pursue a policy hostile toward the West.

### February

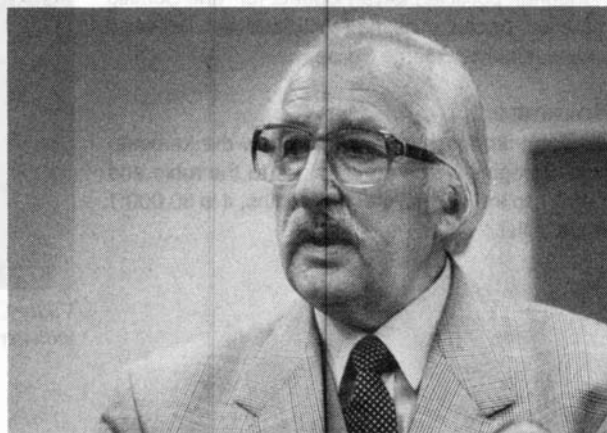
Ukrainian economist Volodymyr Kovalenko writes in *Literaturnaya Gazeta*, "In Ukraine and Russia, monetarism is leading to national economies of the Latin American type, where a group of millionaires parasitizes the general population." Ukraine should not follow Milton Friedman and Gaidar, but the German economic reform of 1948.

- Wolfgang Karte, earlier head of the watchdog German Federal Cartel office and at this time economic adviser to the Russian city of Vladimir, warns that pure market-economy doctrine is driving Russia toward a catastrophe. After disenchanting experiences "on the spot" in Russian Vladimir, he can only give the wholly "non-free-market" advice to shield domestic industrial production against foreign price competition through protective tariffs.

- *Nezavisimaya Gazeta* prints a letter from Arkady Volsky, chairman of the Russian Union of Entrepreneurs and Industrialists and also of the Civic Union. Volsky turns sharply against the Anglo-American shock therapy and points instead to the method of the reconstruction of the German and Japanese economies after World War II, "in which the changes in the system and the building up of enterprises were put first, and only then did economic liberalization and the freeing of prices follow."

### March

The former head of German military intelligence (MAD) Gen. Paul-Albert Scherer (ret.) says at a Washington press conference that he fears that because of the bad economic conditions in Russia, the military may bring down Yeltsin.



Gen. Paul-Albert Scherer (ret.) speaks in Washington on the danger of an escalation in Russia.

### May

Prof. Taras Muranivsky of the Moscow's Russian State University for the Humanities presents in Washington a program for the solution of the economic crisis in the East, which models itself closely on LaRouche's proposals.



President Boris Yeltsin cracks down on dissent, applies IMF conditionalities.



The Kremlin, Red Square: shown here before the fall of communism.

## July

Yeltsin decrees the freeing of the price of coal.

## February

Escalating tensions between Yeltsin and the Russian Parliament led by Ruslan Khasbulatov. Yeltsin wants presidential rule, Khasbulatov wants far-reaching influence of the parliament and Yeltsin's downfall. A complication is that the chauvinist National Salvation Front also tries to use the despair over the growing mass poverty for its own purposes.

- Due to shock therapy, Russian industrial production falls by about 20% during 1992, agricultural production about 15%, and investment about 50%, while real wages collapse in the face of an approximate 1,300% increase of retail prices.

## March

Yeltsin is defeated in a vote in parliament. A consensus is forming in the Russian elite for presidential rule with or without Yeltsin.

- *Neue Solidarität* No. 12 warns, "In the altercation between Yeltsin and Khasbulatov, many are overlooking the power shift which has already taken place: Moscow's 'imperial' course with reference to Georgia, the Baltic countries, and Ukraine. . . . The 'Grachov Doctrine' validates the right of military intervention in the entire territory of the former Soviet Union."

## April

*Neue Solidarität* No. 15-16: "While the Russian domestic situation is becoming more aggravated, an extraordinary strategic initiative has come from Moscow. The Russian government proposes technological cooperation to the U.S., including in the development of anti-missile defense systems based on 'new physical principles.' " The offer meets with icy **silence** in Washington and the West in general.

- The results of Yeltsin's constitutional referendum of April 25 are massively falsified so that the number of "yes" votes just exceeds the required 50%.

- Before the referendum, Yeltsin increases the minimum wage to 8,000 rubles per month, which corresponds exactly to the minimum required for biological existence. One pound of meat costs about 1,000-1,500 rubles; a pound of tomatoes or oranges about 700 rubles, a pound of butter, 500 rubles, and one egg, 3-400 rubles.

## May

At the conference of the Russian Institute of Strategic Studies, V.I. Milovankin of the Russian Economics Ministry draws up the balance-sheet of shock therapy after more than a year. Russian national income has fallen about 20%. In 1993 production will fall another 7-12%, unemployment grow by 3 to 5 million, and prices mount 600%. The mutual debts of state industries have grown from almost nothing to 3.8 trillion rubles, and the government deficit is close to 1.6 trillion rubles or 11% of GNP. Investments in the modernization of obsolete industrial plants fall 56% in 1992. At the end of the year, this prognosis will prove to be an underestimate of the collapse.

## June

Russia increases its pressure on Ukraine. This concerns the Black Sea Fleet, Ukrainian atomic weapons, and Russian energy deliveries.

## July

Security Minister Barannikov presents evidence of corruption charges against close co-workers of Yeltsin. Thereupon, Yeltsin gives approval for Barannikov's dismissal.





Neue Solidarität proclaims the failure of the free market economy.

**November**

Under the headline, "Free Market Economy—The Greatest Failure in History," Helga Zepp-LaRouche explains anew the infrastructure program based on the "Paris-Berlin-Vienna Productive Triangle" in a *Neue Solidarität* special. She holds the scorched-earth economic policy of Bush and Thatcher responsible for the increasing gravity of the Russian and Balkan situations.

- *Neue Solidarität* No. 50-51 asks, "Election Disaster in Russia—a Healthy Shock for the West?"

**December**

LaRouche depicts the IMF policy regarding Russia as "legalized theft." The spokesmen for this policy in the West have refused to see how the Russian people develop ever more hatred against the West thereby—as we can see in the Zhirinovsky phenomenon. Zhirinovsky is controlled by the security apparatus, as is Yeltsin increasingly as well, after the bloody events of October.

**October**

During a session of the Evangelical Academy of Tutzing (the think-tank of the German Lutheran Church, the EKD), the director of Moscow's U.S.A. and Canada Institute, Georgy Arbatov, depicts shock therapy as a danger to world peace. The IMF forces this policy on Russia, "in order to de-industrialize Russia, to shrink it, and to depress it to the level of an underdeveloped country."

**December**

U.S. Special Envoy Strobe Talbott, soon to be named deputy secretary of state, criticizes the IMF policy toward Russia, saying that Russia needs "less shock and more therapy." U.S. Vice President Al Gore says on Dec. 16 in Moscow: "I would say that every country that has representatives on the IMF board has been slow to recognize the hardships that are caused by some of the conditions that have been overly insisted upon in the past. Now that right there may be enough to create a diplomatic incident, but I don't care because the world has to recognize the gravity of this situation and the enormity of the opportunity for the world to integrate this magnificent nation with these wonderfully talented working men and women, scientists and engineers and professionals into the common effort of humankind to build a better way of life for the peoples of our world."

- U.S. economist Robert Kuttner strongly criticizes the policy of free trade and IMF shock therapy in the managers' magazine *CEO* and calls for a completely new policy regarding Russia. "We need massive flows of public capital to the former Soviet bloc," writes Kuttner. "Rather than relying solely on the shock therapy of privatization, we need commitment of western credits on the scale of the Marshall Plan, to help eastern Europe recover. Stagnation in the East slows growth in the West."



European Commission President Jacques Delors, sponsor of a White Paper for infrastructure development.

- European Commission President Jacques Delors presents his *White Paper*, which intercedes for state-promoted infrastructure development as a strategy against mass unemployment. The program for the construction of so-called Trans-European Networks (TEN) provides for investments of ECU 220 billion in transportation, 150 billion for telecommunications and 13 billion for energy projects. (An ECU, or European Currency Unit, is equivalent to slightly more than a dollar.) East-West European railroad and highway axes which largely coincide with those of the "Productive Triangle" have high priority.

**August**

Yeltsin decrees the freeing of the price of electricity.

**October**

Sergei Vasilyev, the director of the Russian government's economic policy staff, tells the *International Herald Tribune*, "I think that the IMF is too soft toward Russia." He announces the end of subsidies to farms and the liberalization of energy prices.



*U.S. Treasury Secretary Lloyd Bentsen defends the IMF's line.*

**December**

The "diplomatic incident" that Gore had feared appears first in commentaries in financial papers such as the *Financial Times* and *Neue Zürcher Zeitung*. U.S. Treasury Secretary Lloyd Bentsen also distances himself from the vice president's statements critical of the IMF. Shortly thereafter, a campaign is staged against Strobe Talbott for alleged "anti-Semitic remarks."

**August**

The "ruble putsch": Behind the back of Finance Minister Fyodorov, at this time in the United States negotiating with the IMF, a new ruble is introduced in Russia. The currency reform is incompetently executed.

- The Russian Army intervenes in the civil war in Tajikistan. For the first time, Yeltsin describes the Tajik border with Afghanistan as Russia's border.

**September**

Ukraine finds itself in a process of political and economic disintegration. Moscow increases the economic pressure in order to nullify, in practice, Ukraine's independence.

- On Sept. 21, Yeltsin declares the parliament dissolved and proclaims the election of a "Duma" and presidential elections for Dec. 12. He will rule by decree until then. The members of the lower house under the leadership of Vice President Rutskoy and Parliamentary President **Khasbulatov** oppose this clearly unconstitutional dissolution of parliament.

- Simultaneous with the dissolution of parliament, Russia strengthens its policy aiming at reincorporation of the other republics. With the exception of Georgia and the three Baltic republics, on Sept. 23, **all the former Soviet republics** (now CIS member states) sign a treaty of economic union which considerably restricts their sovereignty, since financial, monetary, and economic policy will henceforth be subordinate to the Russian Central Bank.

**October**

Yeltsin depicts the opposition in parliament and the demonstrators on the streets as "Nazis and communists," and orders artillery fire against the parliament building, the "White House," which the deputies refuse to leave. Officially the number of deaths is put at 137; in truth it is many times higher. Mass arrests are made; press censorship is reintroduced. Moscow is under emergency rule until Oct. 18. The western press calls all this "a triumph of democracy."

- On Oct. 9, Georgia signs a military agreement with Russia.
- Foreign Minister Andrei Kozyrev declares on Oct. 27 in London that Russia is determined to prevent the integration of the East European countries into NATO.

**November**

On Nov. 3, Defense Minister Grachov and Russian Security Council Undersecretary Malinov make public parts of the new **military doctrine**. It reserves the right of Russian military to act in any part of the territory of the CIS, as well that of first use of nuclear weapons.

- Primakov, head of the Russian secret foreign intelligence service, tells the press on Nov. 25, "We cannot remain indifferent if NATO extends itself to our borders. . . . If that were to happen, we would have to rethink our concept of defense, regroup our army and change our operational plans."

- The Ukrainian karbovanets falls to 31,000 to the dollar.

**December**

In the Duma elections on Dec. 12, the secret service-directed, chauvinistic provocateur Vladimir Zhirinovskiy gets 24%. Gaidar's party, "Russia's Choice," is strongly rejected with less than 15%. Yeltsin had prudently postponed the promised presidential elections until 1996.

- The Russian General Staff presents figures according to which 1.5 million highly qualified skilled workers of the military-industrial complex have lost their jobs. Twenty-five percent of the factories no longer receive any government orders.

## 1994

**January**

The Moscow weekly newspaper *Oppositsiya* publishes an open letter from LaRouche to the Russian leadership, which says, "The continental European countries such as France, Germany, and others must cooperate with the peoples in the former Soviet Union in order to create a zone of economic development based on scientific and technological progress."

**April**

At a Moscow press conference, LaRouche warns of the inevitable near-term collapse of the speculative world financial system. Russia should not tie its destiny to this objectively bankrupt system, but must instead become a part of an international strategy of economic reconstruction.

**September**

As the lead electoral candidate of the Civil Rights Movement-Solidarity, Helga Zepp-LaRouche speaks before the North German construction fair "Nordbau" on Sept. 14. Her address presents the Eurasian infrastructure program as the way out of the economic crisis. She finds broad agreement among the mid-sized construction contractors.



Lyndon and Helga LaRouche in Moscow, April 1994, with St. Basil's Cathedral in the background.

**February**

Speaking to annual the Munich defense forum after a visit with U.S. President Clinton, German Chancellor Kohl turns with uncharacteristic sharpness against "those experts from Harvard" (implying Jeffrey Sachs) who want to prescribe to the Russians what they must do and refrain from doing in their economy. This western arrogance is extremely short-sighted; its authors will pay for it one day when it strikes back at them, possibly with severe strategic consequences. The press fails to report these passages of Kohl's speech.

**March**

At the second All-European Transportation Conference in Crete, European transportation ministers decide on a series of "priority corridors" which are to form the basis of the planned broadening of trans-European infrastructural networks in the direction of central and eastern Europe. They largely correspond to the "development corridors" along the most important high-speed railroad lines in LaRouche's 1989-90 "Productive Triangle" program.

**May**

Speaking in Stuttgart to representatives of German industry during his state visit to Germany, Boris Yeltsin calls for the construction of a high-speed railroad line between Moscow and Paris by way of Warsaw, Frankfurt an der Oder and Berlin, and a parallel highway.

- The 63rd German-French summit meeting in Mulhouse, France recommends that construction of the West European portion of the Paris-Berlin-Warsaw-Moscow railway connection be given priority in the European Union (EU) infrastructure program.

**July**

During his visit to Bonn and Berlin, President Clinton pronounces the end of U.S.-British special relationship and grants priority to the partnership with Germany. He expressly supports Jacques Delors's *White Paper*.

**September**

The German-French foreign ministers' meeting on Sept. 20 places the Paris-Berlin-Warsaw high-speed rail line in the foreground. Russian Transportation Minister Gennady Fadeyev discusses the integration of Russian railroads into the all-European transportation network with his German counterpart Wismann, especially through the construction of the Moscow-Berlin route.

**May**

The *Wall Street Journal* disparages the German-Russian talks as a geopolitically dangerous step toward a "Berlin-Moscow axis." Henry Kissinger expresses himself similarly in the London *Times*. Frank Gaffney of the neo-conservative Center for Security Policy in Washington warns against "the sort of non-transparent, largely untied and undisciplined German economic and trade relations with Moscow that have brought the West considerable grief in the past," referring to the 1922 Rapallo Treaty and the 1939 Hitler-Stalin Pact.

- Yeltsin tells *Le Figaro* that shock therapy has been "necessary" and "successful." As proof, he cites the availability of kiwi fruit in Moscow shops.

**July**

On July 19, eight days into office, Prime Minister Leonid Kuchma's new Ukrainian government begins negotiations with the IMF, as the worst collapse of industrial production in modern Ukrainian history takes place.

**September**

The World Wide Fund for Nature (WWF, formerly called World Wildlife Fund) presents its project "Parks for Life: Action for Nature Reserves in Europe," calling for a "European network of nature reserve areas" to be created instead of a trans-European infrastructural network. The scientific advisory committee to the German Economics Ministry launches a direct attack on the Delors Plan. The chairman of the committee, Norbert Klotten, a monetarist and a member of both the Trilateral Commission and the Mont Pelerin Society, presents a 96-page opinion on Sept. 13 which attacks the Delors *White Paper's* proposal for trans-European infrastructural projects as "dirigism" and "interventionism." The planned "trans-European networks" of high-speed rail lines and energy and telecommunications infrastructure disturb Klotten the most, and he rejects any public financing for them. He calls instead for further deregulation of transportation, import and export.

**January**

*Neue Solidarität* No. 4 reports on the fall of Deputy Prime Minister Gaidar and Finance Minister Fyodorov: "The most radical shock therapists have been excluded from the Russian government. At the same time, neo-imperialist forces are on the march and are staking out the Russian sphere of influence. What belongs to it: Ukraine, the Baltic, East Europe or quite possibly still more?"

**February**

At an *EIR* seminar, speakers from Russia, Ukraine, Georgia, and Armenia report on the desperate economic and social situation in their countries. Pauperization extends from retirees to teachers, medical workers, and academicians. Meat has become a luxury.

- A report from the economics faculty of the Russian Academy of Sciences to Yeltsin and the Duma exposes the fact that 10% of the Russian population lack sufficient food, and an additional 33% live below the poverty line. Life expectancy has fallen from 69.2 to 66 years and infant mortality grown from 17.4 to 19.1 per 1,000 live births. In 1990, the average family spent 30% of its income on food, but now it spends over 80%.

**March**

Ukraine faces economic collapse and social explosion shortly before its scheduled parliamentary elections.

- Russia also faces an economic emergency. Between February 1993 and February 1994, industrial production has fallen 24.3%: light industry 32%, food processing 21%, iron and steel 23%, chemicals, paper, and cellulose 35%, machine-building 48%, and agricultural equipment 80%.

- Because of the devastating food situation and collapsing health care, epidemics are spreading, including cholera and diphtheria. In 1993, the number of deaths in the Russian Federation exceeded the number of births by 900,000.

**May**

The Ukrainian karbovanets falls to 45,000 to the dollar.

**June**

The parliament of Crimea, controlled by pro-Russian separatists, announces its secession from Ukraine. In this way and also by interruptions of energy supplies, Moscow increases the pressure on Kiev to rejoin Russia.

**July**

Lukashenko and Kuchma, who support rejoining Moscow, come out on top of Ukraine's presidential elections.

- Alexander Solzhenitsyn enters Moscow on July 21. His essay, "The Russian Question at the End of the 20th Century," is published in millions of copies as an extra of the newspaper *Novy Mir*. Solzhenitsyn represents a variety of the anti-western "Third Rome" ideology, but he is precise in identifying the IMF-induced economic policy of "wild capitalism" as the cause of the general downfall and pauperization of Russia since 1992.

**October**

The ruble falls all the way into the cellar. On Oct. 4, you can get 2,675 rubles for a dollar. On Oct. 12 it falls to almost 4,000, so that nearly all the Russian reserves must be spent to bring the rate back to 3,000 to the dollar.