

Former privatization chief calls for a new policy for Russia

by Denise M. Henderson

On May 29, a senior official in Russian President Boris Yeltsin's administration, Vladimir Polevanov, who on Jan. 20, 1995 had been fired as chief of privatization, created what has been described by observers inside Russia as a political explosion, when he appeared on "The Moment of Truth" television show to detail how the International Monetary Fund (IMF) has looted Russia through "privatization" schemes and related operations. Polevanov also cited the U.S. Presidency of Franklin Delano Roosevelt, as giving Russians a positive alternative model for how to organize their economy.

Polevanov laid out, case by case by case, how the Russian economy has been sold off to western companies for virtually nothing, under the aegis of the IMF. Russia, he documented, had been looted at an unprecedented rate. Not only have assets on an enormous scale been sold off, but Russia has been obliged to pay debts to the same interests doing the looting!

Asked whether he saw an alternative to the current direction of policy, Polevanov pointed to the precedent of what happened "in a democratic country like the United States, under President Franklin Delano Roosevelt," when the Americans, in his view, recovered control over their economy.

One day later, on May 30, Polevanov was fired from his current post, as chief of the Controls Bureau. On May 31, Polevanov held a press conference to discuss his most recent firing and the destruction of the Russian economy. He announced that he was joining a policy group set up by Duma Deputy Sergei Glazyev to propose solutions to Russia's economic crisis, solutions that focus on preserving the economic well-being of the Russian people as well as on the development of infrastructure.

Turned into a raw materials producer

Polevanov stressed that the current government has "halved the country's gross domestic product and has actually turned [Russia] into a raw materials producer, although we used to be an industrial power."

Polevanov added, "Now we have been thrown back into

a pre-industrial age, although the world as a whole has gone ahead into a post-industrial age, the hallmarks of which are the microchip revolution and science-intensive technologies. But here reform has actually wiped out science-intensive industry," a reference to the fact that Russia can barely hang on to its scientific centers and its researchers, who in large part are dependent on grants received from George Soros and his various foundations which operate inside Russia.

The press conference was sponsored by "New Russia," an apparently newly formed Russian political movement. Polevanov also announced that he was working with three chairmen of Duma committees, Sergei Kalashnikov, Burkov, and Glazyev. "The purpose is simple," said Polevanov. "If the government has decided to go in for politics after having ultimately ruined the economy [a reference to Prime Minister Viktor Chernomyrdin's new political party], someone has to concern himself with the economy, with the economic evaluation of all those far-from-irreproachable governmental decrees." For now, the movement is being called Narodnaya Politika, or Public Policy. "We believe," added Polevanov, "that the government, which has ultimately ruined the economy, whatever terms it may hide behind, must resign. But since it does not resign voluntarily, our task is to help it go away by winning the elections."



Russian Duma (Parliament) Deputy and Democratic Party of Russia head Sergei Glazyev has set up a policy group to propose solutions to Russia's economic crisis that focus on protecting the well-being of the people and developing infrastructure. Here, Glazyev speaks at the National Press Club in Washington in March 1995.

Polevanov also warned that unrest in Russia was growing exponentially. "We have unprecedented stratification into the super-wealthy and the growing class of super-poor, which, in fact, is the main reason why neither domestic nor foreign investors are active and why capital flees from this country. Simply, people are afraid of investing in a country which can explode at any moment. This is just one of the laws of political science and sociology, that ratio. Disregarding it means disregarding objective reality."

The Polevanov memorandum

This is not the first time that Polevanov has publicly reported the results of the shock therapy policies imposed on Russia by the Thatcher-Bush forces in the West. On Dec. 30, 1994, Polevanov presented a memorandum to Chernomyrdin criticizing the state of privatization, demonstrating point by point what privatization was meant to achieve, and what it actually had achieved. This document so irritated Yeltsin that by Jan. 20 of this year, Polevanov was fired. Two days before, excerpts from his memorandum, "An Analysis of the First Stage of Privatization and a Proposal on Its Improvement" had appeared in the daily newspaper *Zavtra*. Polevanov proved that neither the population nor overall production had benefitted from privatization, and also warned, in the case of the defense industry, that foreign companies and firms hoped "to use the ongoing processes [i.e., privatization] in the defense complex for penetration into its administrative structures by means of cornering stocks. . . . In order to avoid probes by the FSK [Russian state security], as envisaged by Russian law, the firms act through Russian straw men. . . ."

"The covert intervention of foreign capital is proceeding through the acquisition of property by foreign firms with the aim of undermining the defense capability and the economy of the country."

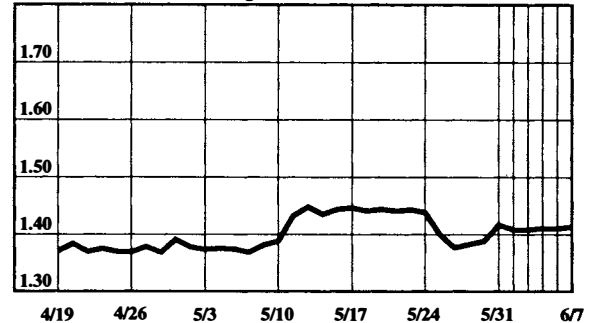
Although what role Polevanov's statements will play in the formulation of policy in Russia remains unclear, it is obvious that many in Russia are unwilling to let the current devastating economic situation—which has left many citizens homeless, barely able to purchase food, and in many cases without access to medical care—deteriorate any further.

One indication of how bad things have gotten, is the tragic earthquake in Sakhalin, where the death toll is now over 2,000 as of this writing. On May 29, the London *Financial Times* had written: "After the Kobe disaster [in Japan in January 1995], Russian officials had predicted that an equally strong earthquake was likely to hit Russia this year. But they warned at the time that the closure of dozens of seismological stations in the region because of cash shortages [i.e., IMF-dictated budget cuts] would make it difficult to detect tremors in time to minimize the impact." Thus, in the Sakhalin case, there was no detection of pre-quake tremors, and thus no warnings were possible.

Currency Rates

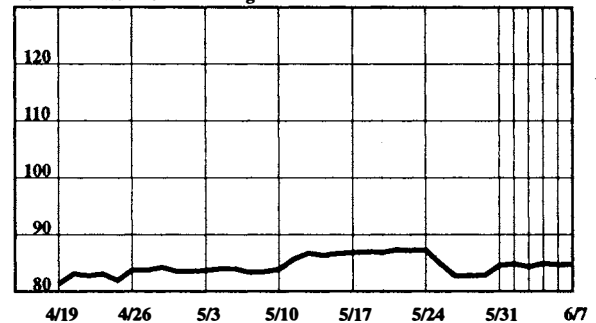
The dollar in deutschemarks

New York late afternoon fixing



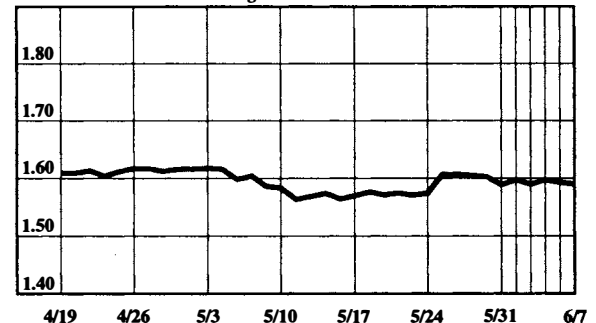
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

