thermal power plants are unable to pay for fuel, because their customers, mostly state-owned enterprises and government agencies, have been cut off from budget funding since last autumn. The Russian Far East and Siberia had already experienced a daily pattern of loss of electricity supplies throughout this year. Then, on July 17, the Far East's main thermal power plant, Dalenergo, with a 1,400 megawatt capacity, ran out of fuel, and the region's smaller power plants were producing at only a fraction of capacity. This left the entire region of about 2 million people, including its two main ports of Vladivistok and Nakhodka, virtually without electricity. Besides the suffering of households, the industrial production of an entire region has all but come to a standstill.

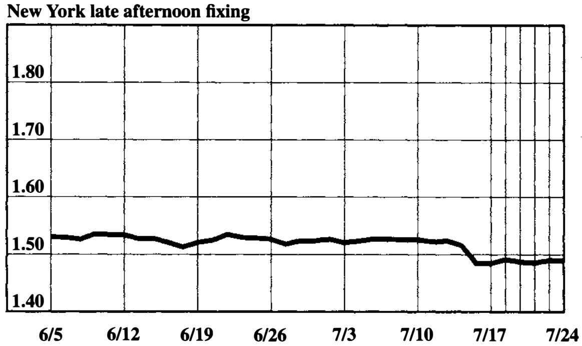
The best that can be said about the group around Chernomyrdin and Chubais, is that they recognize on an empirical basis the extreme dimensions of the current crisis. Based on all evidence available so far, the solution they are proposing is a guarantee for one of two possible outcomes: an economic-financial blowout in August-September, or, through their manipulations, an even far more devastating blowout a short time later.

Their solution is a flight forward, monetarist approach to stave off, via a "garage sale" of choice Russian state assets, an imminent collapse of state finances. The details were revealed on July 18 by Alfred Kokh, first deputy chairman of the State Property Committee. Kokh presented plans for a new wave of privatization, meaning the sell-off of choice state enterprises. He didn't give exact dates, but said the sales would be held this year and would, allegedly, raise an anticipated 12 trillion rubles. In addition, Kokh announced the re-launching of the earlier Chernomyrdin "loans for shares" proposal, in which the top Russian banks would be enticed to buy government bonds in the amounts needed to prevent the collapse of state finances, and be rewarded through the option to convert the bonds at maturity into shares of lucrative Russian state enterprises. In short, debt for equity.

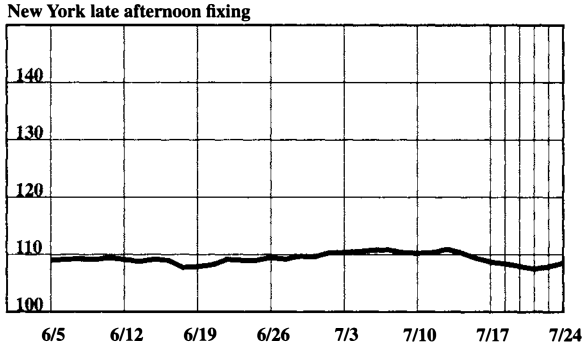
Even should these measures buy time, and that is by no means probable, the continuation of present policies will be measured in weeks or months. However, the cost of "success" is illustrated by what is happening in the Far East and other regions. As noted in the Yegorov document, the regime's triage policy against the regions, to "save the budget," has dried up the regions' financial resources. As a consequence, Yegorov wrote, Russia's regions have begun illegally issuing their own paper money, because no rubles arrive from Moscow. This phenomenon, together with the exploding debt and the collapse of goods production (given the July Far East and Siberian energy paralysis alone, the continued acceleration in this decline is guaranteed), is threatening a Weimar-style onset of hyper-inflation and chaotic breakdown. If the Chubais crowd has its way, this Weimar scenario will be reality in the near future.

Currency Rates

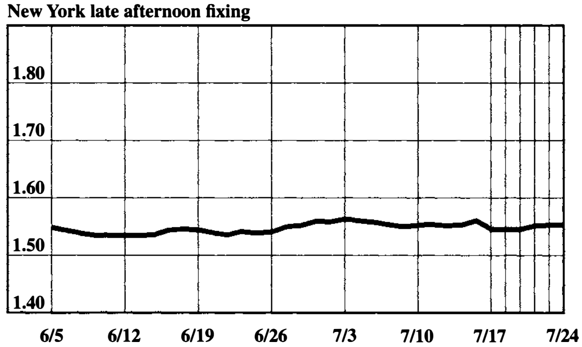
The dollar in deutschemarks
New York late afternoon fixing



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