

the market of the late nineteenth century. They want to drag society through shocks and traumas. We are categorically against that. We have had enough traumas. The market is a means to reaching an end, not an end in itself; apart from the market the country needs a program [for] forced modernization of industry."

"The situation in our country is deteriorating sharply," Pavlov said. "Our exhausted industry, our semi-destroyed railroads and our telephone networks are on the verge of complete breakdown, and our water and heating systems are on their last legs. . . . We must tighten our belts, . . . use our resources to modernize production, which provides the very foundation of life." Arguing against the IMF's planned de-industrialization, Pavlov demanded, "What kind of improvement in public health can there be, when we essentially have no modern industry?"

During that period, evidence was mounting that the IMF was grooming a Russian Federation alternative—meaning

Yeltsin and company—to come into power and do the job that the Soviet government was not willing to do. In February 1991, Pavlov and KGB head Gen. Vladimir Kryuchkov declared that officials in Yeltsin's Russian Federation government were plotting to destabilize the Soviet economy.

It would be wrong to say that the fight was between the U.S.S.R. and the Russian Federation, however. In both entities, both factions—pro- and anti-IMF—were represented. In the Russian Federation, this could be seen through the heavy resistance faced by Yeltsin in the Federation's Supreme Soviet, where his command of a paper-thin majority was held only through direct interventions by President Mikhail Gorbachov. Likewise, on the Soviet level, Pavlov and his cabinet never had real backing from Gorbachov, who always vacillated.

Gorbachov's vacillation was seen in his Feb. 25, 1991 speech in Minsk, where he castigated Yeltsin's policy of "loose confederation," and accused Yeltsin of "forging an

Russian 'reform' cadre trained by London

On Aug. 23, 1991, the "Diary" column in the London *Times* provided a handy preview of the forced march of a rotten economic idea, which was about to assail the soon-to-be former Soviet Union, opening the war for title to the wealth of post-Soviet Russia and the other newly independent states. "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 [of Aug. 21-22, 1991] has rendered the empire ripe for a dose of Thatcherism. Although their influence may have diminished at home, 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 of High Cross told the *Times*, "We criticized 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 heads the Institute for Economic Affairs (IEA), the chief London think-tank of the Mont Pelerin Society. The latter was founded in 1947 by London School of Economics professor Friedrich von Hayek, for the purpose of attacking the nation-states which had been strengthened during the mobilization for World War II, with the free-trade "liberalism" of eighteenth- and nine-

teenth-century Britain as the bludgeon.

Harris's project, and the parallel patronage of George Soros, shaped the group of "young reformers," who have run economic policy under Russian President Boris Yeltsin.

The London Mont Pelerinites trained their sights on Russia already in 1983, the year of the Strategic Defense Initiative. That year, the Centre for Research into Communist Economies (CRCE) was organized in London, out of Lord Harris's IEA. CRCE representatives began to go into eastern Europe in the mid-1980s. In Hungary, they met a young Russian economist named Anatoli Chubais, a member of a loose grouping that included Yegor Gaidar, then an economics writer for publications of the Communist Party of the Soviet Union. There were similar contacts of the CRCE with people from Poland and Czechoslovakia, including the future prime ministers of those countries, Leszek Balcerowicz and Vaclav Klaus. Before long, Gaidar and other Russians were travelling to London as guests of the CRCE, or convening with students of the Mont Pelerin agenda from throughout eastern Europe, at seminars held in Hungary, Vienna, and the United States. To this day, Lord Harris refers to Gaidar and his associates as "our men."

Ljubo Sirc, director of the CRCE, recalled the recruitment process, in a 1996 interview: "The reforms really started in 1989. Initially the contacts were with what were then called 'dissidents,' who, it so happens, all became important persons in their own countries. Balcerowicz was the Minister of Finance [Poland], Vaclav Klaus is still going strong [in the Czech Republic, as of 1996], the Russians have all been minister and prime ministers and dep-

alliance with separatist and nationalist movements, to plot the overthrow” of the Soviet government. Gorbachov cited “extensive plans, which in some cases have been worked out by foreign centers.” He added, “These democrats are allying with separatists and nationalist groups. They have a common goal, to weaken the Union, and where possible to destroy it.” Gorbachov also said that the opposition around Yeltsin was promoting “chaos, disintegration, and instability, and conducting a most intensive power struggle, which could lead to civil war.”

Here were extremely strong words, and all basically true. However, throughout that spring, Gorbachov never acted to stop it.

Yeltsin was confident that his position was unassailable, and, in a March 9 radio interview, he called for a rebellion against the regime of the U.S.S.R. “Let us declare war on the leadership of the country,” he said. “We’ve wasted many months. It is time to go on the attack. Democracy is in danger.

March will be decisive. Either the democrats will be strangled or they will not only survive but will win this year.”

This interview inaugurated the mass disorder phase of the 1991 destabilization of the Soviet Union, leading to the ruinous nationwide coal strikes of March and April.

Meanwhile, the economic projections were getting bleaker and bleaker. On March 16, Gorbachov admitted that 1991 oil production would end up between “500 million tons and 528 million tons,” down from 589 million tons in 1989. More important, he added that oil exports, the U.S.S.R.’s main source for foreign exchange, would drop from 125 million tons, to a mere 60 million tons.

How critical and strategic the oil situation was, was shown by the fact that, on March 18, West German Foreign Minister Hans-Dietrich Genscher said in Moscow that Germany was ready to help the U.S.S.R. rebuild and modernize its oil and gas production. Then, Japanese Prime Minister Toshiki Kaifu visited Moscow on March 25-26, for talks on extending Japa-

uty prime ministers. . . . So that made life quite interesting. We had all this contact before they took over.”

Lord Harris co-founded the Moscow-based International Center for Research into Economic Transformation (ICRET), in 1990. It began to work closely with the (Russian) Institute for the Economy in Transition, launched under the auspices of Academician Abel Aganbegyan and subsequently headed by Gaidar and Vladimir Mau.

As the Soviet bloc splintered under the political pressures generated by its economic crisis, the Mont Pelerin Society-groomed economists seized an opportunity to push a radical break in policy. Their first ideological substantiation was the notorious 500 Days Plan for a leap to the “free market,” drafted in 1990 under the direction of Academician Stanislav Shatalin, a dabbler in astrology, by young economists like Grigori Yavlinsky and the intense student of Thatcherism, Boris Fyodorov. Soros assisted this project, paying the way of Yavlinsky, Fyodorov, and four other members of the Shatalin group, to attend the September 1990 International Monetary Fund (IMF) conference in Washington.

At the end of 1991, the Russian institute of Gaidar and Mau nearly folded, because most of its staff entered the government. Yeltsin chose Gaidar as the first Prime Minister of independent Russia.

How the London-Moscow interaction worked

Mau has recounted how the London-Moscow interaction worked: “An exchange of ideas, not restricted with personal censorship. . . . They met in Budapest, in western Europe, mostly in Britain, more in advanced eastern Euro-

pean, central European countries, in St. Petersburg. There were seminars with an exchange of ideas. The most part of our government of 1992, met at these seminars. All of us knew each other. And probably we did meet there for the first time. . . . Ljubo [Sirc] was doing very important—sometimes I think he didn’t even understand what he was doing. It was impossible to understand at that time. . . . Since my institute contributed the most to the government, when it was formed in November 1991, because a good part of the government was from the institute, the institute was almost exhausted when the government was formed.”

From the Mont Pelerin-trained group, Gaidar became Prime Minister; Mau was his assistant for economic policy; Andrei Nechayev was minister of economics; Leonid Grigoryev (later at the World Bank) was chairman of the Committee on Foreign Investment; 500 Days Plan co-author V. Mashchits headed the committee for economic relations with Community of Independent States countries; Pyotr Aven was minister of foreign trade; Sergei Vasilyev was head of the government’s Center for Economic Reforms. Konstantin Kagalovsky, the first executive director of Lord Harris’s ICRET, was assigned by the Russian government to handle its negotiations with the IMF! Above all of them, Anatoli Chubais spread his wings as privatization czar—officially, as chairman of the State Committee for the Management of State Property.

(The story of how the Russian reforms were patronized by the London Thatcherites and the Bush-era International Republican Institute (IRI), was told by Roman Bessonov in Parts 1 and 2 of his series, “IRI’s Friends in Russia: The Anti-Utopia in Power,” *EIR*, Sept. 6 and Oct. 4, 1996.)

—Rachel Douglas