

New Government Bodes No Good for Russia

by Jonathan Tennenbaum

With the release of the list of cabinet appointees for the government of newly confirmed Prime Minister Mikhail Kasyanov, speculations and hopes of a possible turn away from the International Monetary Fund-style liberal economic policy line of German Gref and Presidential adviser Andrei Illarionov (see Prof. Taras Muranivsky, "The Penetration of Immorality into Russia's Putin's Economic Policy," *EIR*, April 14), have ended abruptly. In the new government, Gref himself has been appointed as head of the newly formed Ministry of Economic Development and Trade, while the post of Finance Minister has gone to Alexei Kudrin, a protégé of the liberal Anatoli Chubais, and who is to "coordinate all fiscal and economic policy." The composition of the new government points to an economic policy which, if anything, will be even worse than under President Boris Yeltsin.

Just days earlier, in State Duma (lower House of Parliament) meetings before his confirmation vote, Kasyanov had made a show of distancing himself from Gref, whose Center for Strategic Studies was charged by President Vladimir Putin with drawing up comprehensive economic policy proposals for the government. At the same time, Kasyanov had called for large-scale infrastructure projects, and indicated that there were "significant points of agreement" between the economic policy views of the new (Kasyanov) government and proposals put forward by Yuri Maslyukov, particularly concerning the role of state investment in promoting the growth of the Russian economy. Among other things, Maslyukov calls for setting up a state-owned Russian Development Bank to finance industrial and infrastructure investments, as had originally been planned under the Yevgeni Primakov government, in which Maslyukov served as First Deputy Prime Minister. (That government was ousted on May 12, 1999.)

In recent weeks, there were numerous rumors and media discussions about the possibility, that Kasyanov might bring the Communist Maslyukov into the new government. In the Duma meetings and again in his confirmation speech, Kasyanov declared that any further economic reforms must be carried out in such a way, that they cause no shock to the population, a third of which, he said, is living below the minimum necessary to exist. The influential Internet news service "polit.ru" had even declared that Gref had defini-

tively lost out in the struggle over future economic policy, and that Kasyanov had opted for a dirigistic "East Asia model" involving large-scale state investment and protectionism.

Just a Deception

But *no trace* of any of this can be seen in the new government. The implication is, that Kasyanov's statements were just a deception, intended to secure a bigger vote for his confirmation in the Duma, and part of the smokescreen of contradictory statements and promises, which the Putin Kremlin has been maintaining since the beginning of the year.

The composition of the new government also places a strong negative accent on the measures, just announced by President Putin, for strengthening the control of the central government over the Russian regions. In principle, a consolidation and strengthening of the Russian state, in the face of rampant lawlessness and even separatist tendencies in the regions, is urgently necessary and would practically be a precondition for actually carrying out a dirigist mobilization of Russia's economy. But, such a centralization would *also* be a precondition for imposing a *brutal austerity policy*, of the sort supported by Gref and Illarionov, who favor a "Chile model" of dictatorship and austerity for Russia.

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