

over from Russia, and actually bridge this—what I dare call—mentality gap, to go from Russian-type to western-type of applications, etc. . . .

EIR: We have spoken of the need for large-scale development of infrastructure internationally, where the various national governments would have to play the leading role in financing and overall direction.

Einav: I agree that one should spend more on infrastructure, and I think our government has already detected this issue. If you come to our country, you will see that a lot of money is spent now in rebuilding the road system and we also have some plans to invest in railroads and other big projects. When you have actually built your infrastructure, and you build it in time, you have all the amenities to actually revive your economy at a later date. I know that some governments, and for some time our government, did not spend enough money on revitalizing the existing infrastructure and building infrastructure for the future. When you invest in this way, you gain a lot in the future. You don't see the gains immediately, but you'll see them later on. I think the idea is a healthy one.

EIR: The Oasis Plan features the use of high-speed rail and magnetic levitation systems for goods and passengers as a motor for economic development. It foresees a regional high-speed transport system for your region being integrated into a Eurasian and all-African system running from the Atlantic to the Pacific and from Scandinavia down to the southern tip of Africa.

Einav: I think it is a magnificent idea, because I also feel that there is a limitation to the air traffic: You cannot increase the sizes of the airplanes, and there might not be enough space to have big airfields near all the cities. Going back to high-velocity trains is a very good solution. We may see a second coming of the railroad as the prime mover. And I would also add that with air traffic, you will always have to use—at least in the near future—engines that are using fuel which may cause problems in polluting the atmosphere. Whereas with railroads you would be able to use electricity and be able to create electricity by other means. And you will be able to transport a higher volume of passengers. And for high-speed freight, a train could be completely automatic. You would only need remote sensing devices to track the train. You could send it from one place to another with almost no one attending it, or maybe two people for a huge train.

EIR: Is there thinking going on in Israel on building a regional railroad network and integrating with the rest of the world?

Einav: We would love to do it. It is not under our ministry, but I heard this kind of thinking around our place, and, of course, we would like to be a connecting link between Asia, Europe and Africa. And it would be quite natural. I think it is an idea that people will welcome in our region.

Russia's Economy

Theory and practice of the swamp

by Andrei Orlov

Dr. Orlov is prorector of the Economics Academy of the Russian Federation Ministry of Economics. We are publishing this article on the state of Russia's economy, abridged from a chapter of a forthcoming book, with Dr. Orlov's kind permission. It is dated April 15, 1994.

"My atheistic Russia,
My sacred country!"

—Igor Severyanin, *My Russia*, 1924

To begin with, some dry, but nevertheless impressive figures characterizing our great and much suffering Motherland: Russia today is 17 million square kilometers in area, or one-seventh of the Earth's land mass. The population of the Russian Federation is nearly 149 million people, of whom 110 million are urban and 39 million are rural. Russia comprises 21 republics, 6 territories, 48 regions, 1 autonomous region, and 10 autonomous districts. It has approximately 1,060 cities and 2,160 towns.

Russia's share in the world production of electric power is 9-10%; oil, 16-17%; natural gas, 30%; coal, 8-9%; steel, 10-12%; mineral fertilizers, 10-12%; lumber, 15-17%; cement, 6-8%; woollen cloth, 13-15%; grain, 5-6%; sugar beets, 8-10%; potatoes, 10-12%. Russia possesses one-quarter of all forests, the "lungs" of the world.

At world prices, the fuel and power complex of Russia (which is our leading sector, along with the military-industrial complex, among the state-supported sectors of industry) may yield a profit of \$130 billion. This money could subsidize agriculture and the agro-industrial complex as a whole, as well as culture, science, education, and other spheres and branches that serve the people. But until now, our state has been bankrupt in this respect. It takes at least 45-50 trillion rubles [approximately \$25-30 billion at April 1994 rates of exchange—ed.] to support 1 million unemployed, 35 million pensioners, the sick, the disabled, and large families in the face of inflation.

Russia is still one of the most multinational countries. Russians make up over four-fifths of the population—120 million people. There are 3.5 million Tatars, 4.4 million

Ukrainians, 1.1 million Chuvashi, 1.2 million Belarussians, 0.8 million Germans, 0.9 million Chechens, 0.5 million Jews, 0.7 million Udmurts, 0.6 million Mari, 0.6 million Kazakhs, and 1.7 million people of the nationalities of Dagh-estan.

There are 70,000 secondary schools in Russia. One and a half million teachers work in these.

On the eve of World War I

Before talking about the condition in which Russia, its peoples, and economy approach the eve of the 21st century, it is worth looking back and seeing what our country looked like at the end of the 19th century.

In 1894, the population was 122 million people. On the eve of the First World War, this number had reached 182 million—an increase of 60 million, or 2.4 million people annually. Today we have 33 million fewer mouths.

The most difficult sphere of reform is financial stabilization, the ability of the state to manage the budget, to plan incomes and expenditures, and as a result to create a hard ruble. The team of reformers was unable to find the key in monetarism in 1992, nor did they find it in 1993.

In czarist Russia, the financial policy of Sergei Witte [finance minister in the 1890s—ed.] guaranteed a budget with no deficit and the accumulation of gold stock. Without any tax increase, state expenditures grew from 1,110 million gold rubles in 1897 to 3,104 million in 1912—nearly three times during 15 years. During the period of 1904 through 1913, the excess of profits over expenditures was 2,400 million gold rubles. Spending was maintained at a stable level—2.4-2.7 billion gold rubles. Railway tariffs were decreased and buy-outs for lands which passed to peasants from the former landowners were cancelled. Some other tax incentives were introduced. Passport taxes and, in 1914, all kinds of taxes on spirits were cancelled. The gold stock in 1914 equaled 1,604 million rubles, in addition to 141 million gold rubles on deposit in foreign banks. Russia was one of the countries building up its economy with high creative and scientific-educational potential. Money circulation was stable, even during the Russo-Japanese War, with its mass revolutionary-extremist outbursts. The exchange of credit bills for gold was never stopped before the First World War. Taxes in Russia were the lowest in the world. Direct taxes in Russia were four times lower than in Austria, France, Germany, and England.

The productivity of labor in Russian industry grew four times during the period of 1890-1913. The profit from industry nearly equalled that from agriculture. Domestically produced commodities covered four-fifths of domestic demand. From 1910 to 1913, the number of new joint-stock companies grew by 132%, and invested capital increased four times. Business activity, possibilities for investment, and growth of well-being in that period were determined for a

majority of the population by the fourfold growth of their bank accounts and the sixfold growth of their deposits.

Eighty years of pillaging

What has happened to our country during these 80 years? Who gave permission for our enormous wealth to be pillaged? The country has been pillaged for many, many centuries, from the moment it was baptized in 911, or even earlier. It has been pillaged all over: from east to west—from west to east, from north to south and vice versa. It has been pillaged God knows by whom—by ancient tribes . . . by Turks, by Poles, by Frenchmen . . . by czars, by aristocrats, by their servants, by landowners, by bandits, by bureaucrats of all kinds.

The dreadful First World War, revolution, reds and whites, military communism, famine, reconstruction, New Economic Policy (NEP), Stalinism, millions of those killed and tortured to death. . . . The unforgettable Second World War—the Great Patriotic War—brought millions of victims, and one-third of the U.S.S.R.'s national wealth was destroyed.

Then came reconstruction. . . . The superpower of tanks and rockets. Along with partycrats, bureaucrats, pseudo-bureaucrats, mafia of all kinds, corruption. They pillaged and are pillaging the Nature of Russia, its Resources, its People, its Culture, its Intellect. . . .

Russia at the limit

The most serious religious men in Christianity and Islam believe Russia has reached its limit. Is there any choice of roads, as the three epic heroes had in one of the Russian fairy tales? Either to fall into the abyss or to stay on the brink. People perished and are still perishing: Russian soldiers in Karabakh, Abkhazia, Ossetia, Ingushetia, Tajikistan. There were the bloody days of Oct. 3 and 4 [1993] in Moscow, with thousands of wounded. Aggressivity and resistance are accumulating in society.

Aggressive empires have already collapsed or are on the verge of collapse. And they seemed so peaceful, so full of well-being, e.g., Yugoslavia. It reminds one of the theater of the absurd.

The former U.S.S.R. and Russia face collapse, the decay of power, deepest economic and political crises, general depression. Is this God's punishment? The inevitable collapse of the "Empire of Evil"? The leaders' inability to make the acute turn in society and the economy less painful? Treachery, the explosion of nationalism and disintegration? Hypocrisy, unruliness, incompetence. . . . All at once.

For what sins is Russia suffering? For what sins are my people suffering? Ten to fifteen million people do not live, they only exist below the biological (physiological) limit. Malnutrition, famine, terrible housing conditions.

And again there come paradoxes and idiocies—in Russia

there are most of all: holidays, academies, stock-exchanges, mediation cooperatives, pseudo-businessmen, speculators, prostitutes, "bad roads and fools," politicians. There are 3-4,000 criminal groups; 1.5 million weapons in hands; an unbelievable expansion of criminality in 1992-93.

Up till now there is the greatest lack of: order, clever leaders, and wages (on the average 10-15¢ per working hour, 5-10 times less than in Poland; 150-200 times less than in Japan).

In 1992, thirty percent fewer children were born than in 1987. Three hundred and thirty-two thousand refugees are registered, among them 55,000 children. Up to one-fifth of small children suffer from chronic diseases. Only 10-14% of children are considered healthy when they start school. There are more than 3 million single-parent families. Five hundred thousand children annually are left without one of their parents; nearly 100,000 children live in orphanages and boarding-schools. Juvenile delinquency has doubled during the last two to three years. More than 259,000 children with various defects are taught in specialized boarding schools. Nearly one-third of schools need urgent, thorough repairs; one-tenth of them are unsafe. And only 40% of all schools might be considered acceptable for studies. Prostitution among minors has become a profitable and consequently widespread business, and 32-35,000 schoolgirls are registered with the police for this activity.

Ecological disaster

The ecological situation has long since crossed the red line in some cities and territories. Natural resources are being pillaged—land, oil, natural gas, coal, gold, diamonds, forests.

Nowadays, water and air have become the cause of poisoning and the subject of trade; an unsatisfactory condition of drinking water reservoirs (according to the bacteriological indices) has been registered in the Kaliningrad, Kostroma, Omsk Provinces and Khabarovsk Territory. The population of Kalmykia, Karachayevo-Cherkessiya, Kaliningrad, Arkhangelsk, and some other regions have to use drinking water which does not meet chemical requirements. Half of the population of Russia has to drink water which does not meet hygienic requirements. More than 40% of water systems that take water from open reservoirs do not have necessary purifiers.

According to official data, from 13.3% to 24.4% of water samples from reservoirs of drinking water do not meet the bacteriological requirements; 20% fail the chemical standards. Through Russia's vast spaces flow streams of oil products, phenols, heavy metals salts, highly toxic combinations, and a lot of other parasites which are called bacteriological components. In the opinion of specialists, the majority of cases are not even recorded in official data. The real dimension of disease rates as a result of dirty

water usage is ten times higher than the official data on average.

It is high time to put a stop to this. . . . Russia occupies second place in the world—after India—in the number of beggars, homeless, and outcasts. Nearly half the population lives below or around the officially set poverty line. The number of registered unemployed seems to be not so immense—about 1 million people in 1993. But 70% of them are women. (Unemployment, like many, many other vices of the market, has a female face.)

Who gave permission for our enormous wealth to be pillaged? For what sins is Russia suffering? For what sins are my people suffering? Ten to fifteen million people do not live, they only exist below the biological (physiological) limit. Malnutrition, famine, terrible housing conditions.

Hidden unemployment was inherited from the old system. Who has counted the number of unemployed? The experts are arguing: 3-5 or 10-12 million people. . . . These people are either partially employed or are on the roster of some enterprises and institutions. Sometimes they hope for help from the state, for some miracle. Privatization has not yet really started, there is still no conversion of the enterprises of the military-industrial complex. Somewhere the directors of enterprises could create their own "states" and go on in anarchy.

A critical mass for reform

But the conclusion is as follows. It is useless to rely upon the state. One should defend oneself, take all the responsibility, take risks, make mistakes, test oneself in entrepreneurship, support each other.

The other conclusion is simple in itself, but difficult to put into practice: One must work, and work hard. And one must create at last a critical mass of new, private property and new proprietors (20-25 million people, including farmers and entrepreneurs in small business). Then the real basis would be laid for deep, substantial reform of society and of the economy.

So far, 5% of the population—the rich and superrich—who have made their immense capital by speculation and crime, have everything or nearly everything, even reaching

the standards of developed countries. The polarization of profits and life conditions that other countries passed through during a 10-15 year period occurred in Russia in 1992-93. Let us not get into somebody else's pocket and envy the rich. We must try ourselves to escape from poverty. And the state ought to help us.

But power possessed of the lowest intelligence thinks only about how to protect itself, to prolong its death agony. The living conditions of veterans of war and labor and of some of the oldest pensioners seem to have improved. But their number is rapidly becoming less and less. . . . The life of the majority of pensioners, disabled, sick, large families, lonely schoolchildren and students, retired military men, and people of different nationalities sees no improvement. Only honest politicians and entrepreneurs whose hearts are aching for their Motherland might unify and support these groups of the population in such a difficult period. Those small and medium-sized entrepreneurs who are for social justice, who are working in production, starting from the farmers, and who by their own hard work are able to make their business function, are suffering from the dominance of incompetent but greedy bureaucrats in the state and municipal authorities, from graft and corruption.

An abnormal, illogical system of taxation eats up 75-85% of profits. Besides really predatory income taxes and value-added taxes (VAT), which were introduced in 1992 and are still the same, the state has provided for a special tax in the form of a bribe at each level of power and in each office, as well as a heavy interest rate: from the 100% rate of the central bank of Russia, to 200-220% and more at commercial banks. That is why only after breaking free from the speculation-and-crime business of the *nouveaux riches* and after consolidation of forces to carry out some concrete projects, would small and medium-sized entrepreneurs be able to survive themselves.

The basic critical mass of private property and proprietors, which determines the real possibilities for domestic business development in production, must be formed, first of all, in agriculture—the compulsory attachment of private property on land, establishment of its market price and the right to inherit it.

Without this and without the creation of the critical mass of small and medium-sized proprietors, a real competitive market ambience will not be formed.

Instead of the process of deep privatization, which has not yet started, we have superficial denationalization.

Time for a change of mind

Dear reader, let us stop and take a breath. There is no argument—our wealth, possibilities, and resources are quite unique. Serious foreign investors and partners do understand this. But our misfortunes are also innumerable. For what sins do we have all this? “The fundamentals are destroyed, the gates are closed and the lighting is switched off” (Ivan

Bunin, *The Cursed Days*). Mediocrity is spreading everywhere. . . . Mediocrity comes to every house.

Old and new “isms” find their expression in chaotic reform-making and improvisation, rather than profound, basic reforms. Unfortunately, they are leading, together with their mediocrity and power struggles, from the old swamp into a new one. The reform leaders have neither a well-thought-out strategy, nor a distinct idea of how and where to lead Russia and its people. “The blind are leading the blind. . . .”

Social justice looks forward to seeing among its adherents poets, composers, writers, personalities able to fight the mediocrity. The creative intelligentsia who are not able to adapt themselves to any kind of regime, but suffer for their Motherland, for their people, are searching for the way out.

Is it not mediocrity that keeps us in eternal debt to London, Paris, and other clubs? And do we, Russia and its people, have a debt to anybody, or is somebody in debt to us? And don't we push ourselves into this eternal debt by our own foolishness and mismanagement? Or perhaps we have been trapped in well-placed nets? It is time to find out.

“The Universe is the theater. Russia is the stage.

Europe is the circle. The Baltics is the stalls.

America is the gallery. The tragedy is called ‘Gangrene.’

The actors are corpses. Their first actor is called Antichrist.”

(Igor Severyanin. “Sonnet” 1921)

It's time for a change of mind. The Russian creative intellectual is more and more impudently exported. They buy and import our physicists and lyricists, our beautiful girls and women. And whom and what do they bring to our country? Rogues and members of the mafia, something from Brighton Beach, Snickers and Mars Bars.

Who then will give birth to healthy and beautiful children? Who thinks about the genetic fund of the country?

It's high time to put a stop to this, for a change of mind. . . . There is still some time left. Though one cannot give back the lives and blood of those who have perished.

We are in great need of peacemakers. But God knows if some new disappointments are in store for us.

A new time of crowning is sure to come. Will it be 1994 or 1996? Centennial cycles—a new century. On the eve of the 21st century, it is time to think not only about the post-communist period, but about the post-capitalist time as well, with a new state and new leaders. Eleven- to twelve-year periods of the Eastern calendars and heliobiological cycles of solar activity and magnetic storms according to the theory of Chizhevsky—all these things are for some superintellect. It has its own reckoning of time, of our sins and debts. It is time to think about it—for the sake of Russia. For the sake of Man.