
Interview: Sergei Glazyev



'Russia and the U.S. could be real strategic partners'

Sergei Glazyev is a leading Russian economist and political figure. He heads the Committee on Economic Policy of the State Duma (parliament) of the Russian Federation, and is running for reelection to the Duma on the slate of the Congress of Russian Communities. Glazyev was interviewed in Moscow by Karl-Michael Vitt, on Nov. 4.

EIR: What is the current economic situation in Russia?

Glazyev: The economic situation in Russia is still in a stage of deep depression, and economic policy measures which are introduced by the Russian government according to IMF [International Monetary Fund] prescriptions are, in effect, written not for the recovery of the economy, but for a deeper and deeper crisis. For instance, the huge growth of the Russian foreign debt, as a measure to finance the budget deficit of the Russian government, now becomes a problem for the budget expenditures—because the expenditures to finance the budget deficit, to finance the responsibilities before the creditors, now take about 13% of the budget expenditures, which is more than the whole federal budget expenditures for education purposes, for instance.

At the same time, the Russian government has started to borrow more and more money in the internal market, paying a very high interest rate on government bonds, and the result of this, is not only an additional burden for the budget expenditures in the future, but also an artificial shortage of financial resources in the market, because Russian banks don't show the sense to finance productive investments in industry and agriculture. As far as they could easily use government instruments just to buy government bonds and then do nothing, get them for nothing, at 100% interest rate, this is an awful policy, which leads to a huge shortage of investments and a continuation of the high inflation rate.

The high interest rates which the government pays on government bonds, create strong pressure for the increase of the price of capital; at the same time, the privileged national monopolists, who control, at the moment, the Russian raw materials sector, use their monopoly power to raise prices, and the result of this is a continuation of inflation, at 5% per month, capital flight abroad out of industry and, it appears, speculative operations.

All this policy is conducted according to the IMF prescriptions, and it is very strange, from the point of view of foreign creditors, that the IMF, in fact, advises Russia to increase the foreign debt and to continue a policy which makes the payment, the paying back of the credits quite impossible. Russia now has reached the situation in which the expense of servicing the foreign debt becomes greater than the opportunities for new borrowings.

At the same time, the government continues very strange expenditures which are not creative, but more or less destructive, like the continuation of the war in the Chechnya region in Russia, subsidies for unprofitable industries like coal mines and agriculture, which do not have any positive effect for economic growth. So the policy has continued to be very expensive, and not creative.

So there are no incentives in the Russian economy, at the moment, to invest into production.

EIR: President Clinton met President Yeltsin at Hyde Park, the home of President Franklin Delano Roosevelt, and he spoke about a new partnership with Russia. If Clinton goes in the direction of Roosevelt, what would you expect from him, regarding economic cooperation between the United States and Russia?

Glazyev: We're looking with great interest for this news and waiting for real measures, coming from this understanding of our strategic partnership, not only in foreign policy, but also in policy concerning our internal problems. The Russian economy, at the moment, is in a situation which is very similar to the American situation in the 1930s, and the Roosevelt administration applied the New Deal to struggle with the depression, to increase final demand in the economy, to stimulate new investments, to fight with the inefficient industries, and this policy approach was very successful. And we need an approach like this.

At the moment, the foreign advice to Russia and foreign help to finance the budget deficits of the Russian government, in effect, play a negative role, and everybody in Russia realizes that the IMF approach and IMF policy had a hugely damaging effect.

Unfortunately, this kind of approach from the western

multinational financial organizations, which was supported by the western powers, is considered in Russian public opinion as a very damaging interference in our internal problems.

We get very few productive investments in the economy, but, because of this policy, Russia becomes the largest debtor in the world financial system. The Russian government has found itself in poverty, missing almost two-thirds of the property which belonged to the government three years ago, without any revenues for the budget.

At the same time, the production efficiency decreased about two times, and both the productivity of labor and energy resources efficiency decreased about 30%. So, unfortunately, this kind of policy, conducted according to the IMF recommendations, is closely connected in Russian public opinion with the American approach, and of course, we must think now how to change this, because Russia and the United States could be real strategic partners and together could make a lot of efforts for worldwide stability and growth.

Unfortunately, at the moment, our bilateral relations are uncertain and become even hostile. The Russian public couldn't understand the sense of IMF dictates in the Russian economic policy. This is something not only stupid, but very damaging; everybody understands this.

Second, you could not understand the policy of NATO at the moment in the Balkan region. NATO behaves like a crazy hooligan in the kindergarten, just punishing some children and favoring other children, without understanding what are the real problems. At the moment in Russia, people become frightened of possible NATO aggression close to our western borders. New tensions arise, and I think all this happens because America still does not have a reliable foreign policy concerning Russia and concerning the new worldwide problems, and does not have a strategic view.

I think we should think together about closer relations, which should be oriented not to some formal goals, but for real strategic partnership, both in the solution of the worldwide problems, and to look also for new approaches in economic policy, to fight the threats which not only Russia has, but also all the western world has.

At the moment, we have a banking crisis which is connected to the worldwide banking crisis. The Russian economic depression could have a very negative influence on the worldwide depression, and we should think together how to pursue reliable policy, concentrated on real goals, in order to overcome this risk to the stability of the worldwide economy.

EIR: After his visit to Moscow last June, American Presidential candidate Lyndon LaRouche proposed to immediately reduce the International Monetary Fund pressures on Russia. He spoke about Eurasian development. Now, we have the danger of a financial collapse. Do you think that this

new strategic partnership between Russia and America would give us a possibility for a bankruptcy reorganization of the financial system, in order to make real economic growth possible?

Glazyev: Yes, I think we should go in this direction and to think about a new policy, more related to the real economy than to financial speculations, and I would say that the IMF policy, in Russia at least, does not prevent the collapse of the international financial system, but, in fact, even provokes that collapse.

For instance, the IMF approach to Russian problems is very primitive. It is just to increase the Russian foreign debt, to finance the budget deficit which emerged because of inefficient budget expenditures, and even wrong budget expenditures like the financing of wars. This kind of approach goes to the bankruptcy of the Russian financial system, and I think is very damaging to the international financial system as well, and of course, the IMF pressure should go, if you really want economic prosperity.

EIR: What do you think about the State Duma elections in December? You are in alliance with Mr. Yuri Skokov, with Gen. Aleksandr Lebed; do you think that this group gives Russia a chance to stabilize?

Glazyev: Yes, we're sure this is the chance for stabilization and growth. There is no other chance, because the continuation of the present policy for Russia means not only long-term economic depression, but, in fact, huge social problems.

If this kind of policy continues one or two years longer, we shall have about half of our population living below poverty standards, and almost all people working for the government and for society on a non-commercial basis—like education, health care, science, and the research and development sector—will get salaries which are two times less than the minimum poverty level. This means that the continuation of this policy, for millions, even tens of millions of people, does not have any perspective. And of course, this kind of policy has no perspective for economic growth, as well.

At the moment, we have the decline of the investment rate about four times during the last five years, the decline of the expenditures for research and development about five times, the decline of industrial production about two times, and the depression continues, unemployment is growing, and the possible points of growth in the Russian economy are disappearing.

I think that the new elections give us a real chance to change this, and to conduct quite another policy according to the Russian points of competitiveness. Taken together, our possible points of growth are science and technological progress, using our position in the world marketplace and this anti-depression policy, as the Roosevelt administration did in the United States. This is an illustration.