

oil firm, Sibneft, and the Berezovsky private security firm, Atoll. The Prosecutor General's office confirmed that the raiders had confiscated video and audio cassettes where "evidence of illegal bugging was found." According to various Russian press accounts, Atoll and Sibneft had been bugging the offices and private residences of President Boris Yeltsin and members of his family, including his daughter Tatyana Dyachenko, who is an official adviser to her father.

The next day, on Feb. 3, the offices of Berezovsky-linked partners of the airline Aeroflot were also searched, while simultaneously, two top Berezovsky appointees at the airline were fired, including Aleksandr Krasnenker, who had previously been Berezovsky's deputy at the latter's flagship enterprise, LogoVAZ. Interestingly, the firing was ordered by President Yeltsin's son-in-law Valeri Okulov, who is director of the company. Parallel with this, a series of moves was initiated against Berezovsky's press empire, particularly his influence on the television channel ORT.

On Feb. 9, *Kommersant* reported that the General Prosecutor's Office had interrogated Yevgeni Bychkov, former head of the Russia's State Committee on Precious Materials, and others in connection with the embezzlement case against the company, Golden ADA, which channelled a reported \$1 billion in diamonds, gold, and other precious objects out of the Russian Treasury. As documented by *EIR* of Feb. 12, the Golden ADA case goes all the way to the doorstep of Vice President Gore, Chernomyrdin, and former Russian Finance Minister Boris Fyodorov. A day later, Gaidar and Fyodorov gave a press conference to promote their pro-IMF political party, "Right Cause," which they said was ready to fill all the posts for a new government to replace that of Primakov! On that occasion, Gaidar had to answer some unpleasant questions concerning a new scandal, namely, the alleged diversion by the Russian Central Bank of up to \$50 billion into offshore accounts in the English Channel Island of Jersey during the early 1990s, when Gaidar and the other IMF "reformers" were in the driver's seat of Russia's financial policy.

A summit meeting of the Commonwealth of Independent States, of which Berezovsky serves as executive secretary, was abruptly postponed from its planned late-February date.

The coordinated assault on Berezovsky et al. did not go unanswered, of course. Immediately, leading Russian newspapers were filled with nasty attacks and insinuations against Primakov, trying above all to drive a wedge between the Primakov-Maslyukov government and President Yeltsin. In the latest round of these attacks, *Moskovsky Komsomolets* floated the wild story, that Yeltsin was about to dismiss the government for alleged incompetence, and that Gaidar was helping Yeltsin draft the announcement! So far these obvious attempts to destabilize the situation using wild rumors and disinformation, have met with little apparent success, while at the same time, Berezovsky's own position is clearly weak-

ened by in-fighting among the oligarchs and related structures. According to Russian press reports, the head of Gazprom, Vyakhirev, led off a list of Russian "influentials" who had issued a letter supporting Primakov against the "mass media campaign" mounted by Berezovsky-linked press.

An expendable BAC instrument

This underlines the fact, that Berezovsky, like any of the other so-called "Russian financial oligarchs," is little more than an expendable instrument of the BAC-directed control and looting of the former Soviet Union. They have no significant, *independent* power, and it is entirely conceivable that Berezovsky, in particular, might be sacrificed in favor of other BAC assets at any time.

A more serious proposition is "Gore's favorite god-father," Viktor Chernomyrdin. Over the last two weeks, numerous reports have surfaced in the Russian and foreign press to the effect, that Primakov had decided to employ Chernomyrdin as a special representative for negotiations with the IMF and other creditors, replacing Maslyukov in that role. Although that report was later denied by *Izvestia* of Feb. 17, claiming that Finance Minister Zadornov, not Chernomyrdin, had been named special representative, the pattern of events still suggests that Primakov is playing a cat-and-mouse game with the IMF and its backers. The possibility of a potentially fatal, "rotten compromise" imposed under enormous pressures, cannot absolutely be excluded. What is for sure, is that Russia's battle for survival has gone into a new phase.

Documentation

Moscow journals publish LaRouche on economics

The Feb. 11 issue of the Moscow weekly Ekonomicheskaya Gazeta carried answers from economist Lyndon LaRouche, in reply to questions posed by the journal's editor-in-chief, Aleksandr Chekalin. The headline is "To Save the World from a New Dark Age."

In December 1998, Ekonomicheskaya Gazeta carried Chekalin's open letter, addressed to a number of prominent people, on the question of foreign debt relief. The letter was published in Latin, Russian, and English, under the headline, "The World Financial Octopus Has Grabbed the Peoples by the Throat. Shall We Try to Escape?" A boldface text followed: "The notorious phenomenon of foreign debt, which is unjust and immoral, strips some peoples of their will to reor-

der their own affairs, while giving others an exaggerated notion of their talents. In both instances, it is evil. That is why Ekonomicheskaya Gazeta and the newspaper Razvitiye have decided to address certain people, who have already shown that they are not indifferent to this problem—Their Holinesses Aleksii II and John Paul II, the vice-president of the Brazilian Conference of Bishops Marcel Cavaliero, the leaders of Cuba, Fidel Castro, and Malaysia, Mahathir bin Mohamad, and the scientists Lyndon LaRouche (U.S.A.) and Andre Franck (the Netherlands)—with a request to state their opinion on how to free the peoples from the foreign debt noose.”

Chekalin’s open letter said, “The editorial staff of Ekonomicheskaya Gazeta and the newspaper Razvitiye share your alarm about the increase of foreign debt in the world. The discussion, carried on the pages of these two newspapers, would undoubtedly acquire a qualitatively new substance, if you could acquaint the readers with your point of view on this problem, including by answering the following questions. . . .

“Ekonomicheskaya Gazeta and Razvitiye are ready to take part in preparing the international public, as well as practical measures, for the implementation of this idea, which you have repeatedly proclaimed, and which would be an advance towards life built on principles of justice and mutual assistance.”

Ekonomicheskaya Gazeta printed LaRouche’s answers in full, adding some editorial explanations. The questions and answers are given below. The answers are reported here from LaRouche’s original English text.

1. Why is it necessary to cancel these foreign debts, either all at once or within a short period of time?

LaRouche: The more appropriate language would be “cancel or rewrite these debts.” For the case of debts in the form of financial derivatives, the debt must be simply cancelled as an ordinary gambling-debt, illicit in its essential nature, as if it never been incurred. For the case of the Ibero-America debt, for example, in which the nominal debt was rewritten upwards, by fraudulent means used under the “floating exchange-rate system,” the debt must be written down to reflect the obligations actually incurred through payments actually made to the debtor, and the remaining balance rewritten as new debt, at interest-rates in the order of not more than 2% per annum. The latter measures are fair, and also provide the creditor, the holder of the reduced debt, with a viable financial asset for his portfolio.

Given the fact that outstanding nominal derivatives debts, both on-balance-sheet and off-balance-sheet combined, currently exceed a fairly estimated \$140 trillions equivalent, that debt must be written off at the first appropriate occasion such action might be taken. If it is not simply written off the books of all parties to that gamblers’ agreement, then the effect of imposing that debt, several times the combined Gross Domestic Product of all nations combined, would represent an abso-

lute commitment to plunge the entire planet into a “new dark age.”

2. What would be the technique for carrying out this task?

LaRouche: The legal authority utilized for such measures, is the absolute law of the nation-state, the sovereignty of that nation itself, a sovereignty which is violable only by an act of war. It were a more pleasant choice of remedy, for this action to occur through a partnership among several or more such states. Since violation of such sovereignty would be an act of war by the offending agency, principles of war and avoidance of war must be applied to this situation; a group of states strong enough to deter the prospective war-making aggressors is most desirable.

My preferred choice of technique, is to return to the point of reference in history at which U.S. war-time President Roosevelt was in fundamental conflict with Prime Minister Winston Churchill over the design of intended post-war relations among states on this planet. The agreements among the majority of the allies, during that period, most notably the U.S.A., the Soviet Union, and China, may not be legally binding in and of themselves, and certain features of those agreements must be regarded as mistaken, but they ought to be regarded as informing the consciences of modern statesmen with special force.

There were two crucial, leading points of difference between Roosevelt and Churchill at that time. First, President Roosevelt stated clearly to Prime Minister Churchill that his post-war government would not tolerate subjecting the planet to the British traditional “Eighteenth-Century methods” of Adam Smith et al. Second, the President of the United States was committed to the abolition of the colonial system and its relics, globally, at the close of the war. The adoption of the Bretton Woods system, under Roosevelt’s Presidency, is among the numerous precedents for the sort of remedial action to be taken against the lunatic forms of global financial, monetary, and trade practices which have been introduced, in the manner of rape, to international relations since, especially mid-August 1971.

If we desire an order of peaceful cooperation among perfectly sovereign nation-states, which was the implicit, and reasonable objective of the majority of the allies, during the period of that war, reflection on history says that we must seek to realize the just new world economic order among states which was rightly foreseen as required by all decent statesmen and peoples during that period. An order freed from the rapine inhering in what President Roosevelt denounced as “Eighteenth Century British methods,” an order freed from the evils of a global rentier-financier form of imperial neo-colonialism.

I suggest that Prime Minister Primakov’s public declaration to his hosts, during his recent state visit to India, goes to the heart of the matter. The degree of cooperation which

has been emerging between Russia and China, and the effort to extend this, to define Russia, China, and India, as three corners of a wider sphere of cooperation in Eurasia, defines a keystone of a system of good will and mutual benefit around which a new global economic system can be built, to replace the ruin of the hopelessly bankrupt, present, rentier-financier form of global, oligarchical financial system. If President Clinton is not impeached, his enemies defeated, I know that the present realization of President Franklin Roosevelt's goals for global cooperation among sovereign states can be reached. At this moment, this appears the only safe option for humanity.

3. What would be the benefit to the peoples of different countries and to humanity as a whole, if existing debts were abolished?

LaRouche: To save the world from what would be otherwise an assured "new dark age" for this planet, it is necessary to effect a global debt-organization, and a new financial and monetary system, and, also launch a new system of credit devoted to the growth and increased productivity of the physical economy, while suppressing financial speculation and the evils inherent in so-called "free trade." Any forces which might succeed in resisting this change in affairs, would find themselves soon sitting in a Hell they themselves could not survive. That is already a certain kind of benefit.

We require the mobilization of large masses of presently idled or otherwise wasted productive potential. Economic recovery of this planet from the present peril of global doom could occur only through relatively vast amounts of long-term new state and private credit, at discount rates of not more than between one and two percent per annum, over medium- and long-term periods extending to between twenty and thirty years into the future.

This expanded investment in physical-economic growth per capita and per square kilometer, will not succeed unless it proceeds in a capital-intensive, power-intensive, and science-intensive mode.

It must be based upon a vast expansion of improvements and maintenance of both physical and social forms of basic economic infrastructure, without which private investment can not actually generate the rates of growth of net productivity needed in the economy and its territory as a whole. Food production and basic industry must be expanded in quantity, quality, and productivity measured both per capita and per square kilometer. Otherwise, the leading emphasis must be on driving a great expansion of the machine-tool sector of production through high rates of expansion of rates of validatable discoveries of physical principle, including biology. This means, in Russia, the greatest emphasis on reviving the export and other economic potentials of the surviving portions of the former Soviet scientific-military-industrial sector, including space-exploration and colonization. The conquest of

Russia's Arctic region by such methods is one of the greatest prospective, pioneering achievements of this planet during the coming decades.

In aid of this, the masses of accumulated, honorable forms of debt must be rewritten as long-term debt at low interest rates, and with special terms of deferred payments as may be required. By this device, earlier proposed and used successfully by the first U.S. Treasury Secretary, Alexander Hamilton, otherwise useless private and other debt can be held in deposit in banks, as security for the issuance of credit used to promote development of infrastructure, agricultural development, and industry. This use of such restructured debt in aid of such lending, keeps the debt from default, and current. It becomes a sane alternative to bandit and other lunatic forms of desperado "privatization," as a part of the base-line for developing the private sector's increasing role in a successfully growing national and world economy.

LaRouche on physical economy

On the occasion of the death of Prof. Wassily Leontieff, the Russian-born economist, Kommersant-daily on Feb. 10, 1999 surveyed a range of economists on the question, "Are there any real economists left in Russia?" Responses from just two non-Russian economists are included: a professor from the Sorbonne, and Lyndon LaRouche. LaRouche's comment is rendered by Kommersant-daily as follows:

"It is not a question of personalities. The most important thing for Russia now, is to rebuild the economy from the consequences of monetarist experiments. Here, I think, Russian economists from what may be termed 'the Russian classical school of economics,' are among the world's most competent. Leontieff had an instinct for the economics of the real sector, and your economists may be considered his successors, in this respect."

For the record, in view of the condensed and not entirely precise translation that appeared in *Kommersant-daily*, here is LaRouche's reply, in the original:

"In assessing Russia's economists today, the leading consideration is a practical one: How to rebuild the physical economy of Russia from the ruined condition into which recent monetarist experiments have plunged it. For this purpose, what may be termed the 'Classical School' among senior Russian Academicians in this profession are, without doubt, and without exaggeration, among the world's most competent. Some years ago, back during the 1950s, I had a brief correspondence with Wassily Leontieff, with whom I found myself in implicit alliance against the 'ivory tower' economists, such as Tjalling Koopmans et al., of the radically positivist variety of representatives of the Operations Research networks. He had, unlike the 'ivory tower' variety, an instinct for the physical reality of production. I think that the comparison applies to the senior Academicians among Russia's economists today."