

will acquiesce to (and occasionally even promote) a *negotiated* debt moratorium by one of their victim states. The emphasis is on *negotiated*: The IMF emphatically does not want nations to refuse to pay usurious foreign obligations in order to use those resources to develop their own national economies; but they are willing to go along with a temporary suspension of payments, *if* the country in question also applies the IMF's other conditionalities.

Those other conditionalities are the crux of the matter, as they are all deliberately geared to wrecking the physical economy of the victim nation (the lower curve in LaRouche's "Typical Collapse Function"). To wit:

- *Devaluation.* Forced devaluations are always accompanied by demands that the nation not permit this to lead to an "inflationary spiral." What that means, in plain English, is that the devaluation will artificially increase the cost of the foreign debt, and of all imported items; but local costs of production, most especially wages, are to be forcefully held down. The net effect, is that real wealth is transferred out of local consumption, and into exports, in order to obtain foreign exchange with which to pay the foreign debt.

- *Reduction of the government budget deficit.* Countries are instructed that they must raise more tax revenue; eliminate government subsidies for food and other necessities; privatize and otherwise dismantle state sector industries, especially those in the area of heavy industry or advanced technology; and stop investing in infrastructure projects needed for national development. The only line in the government budget which is allowed to skyrocket is interest payments on the public debt. Needless to say, these measures all damage the physical-economic output of the country.

- *Free trade.* This is the oldest trick in the British colonial book: National industry is destroyed by a flood of cheap, foreign imports, leaving the country with no productive apparatus of its own.

- *High interest rates.* This is supposed to "stop inflation." The only thing it stops, is economic activity. With domestic interest rates driven up to 40, 50, and 60%, the national banking system is quickly drowned in a sea of non-performing debt. Any borrowing for productive activities is made prohibitively expensive.

- *Globalized banking.* Under the rhetoric of "the free flow of international capital," the weakened financial system in the victim nation is taken over by foreign banking interests, frequently linked to drug-money laundering. Once globalized, such a banking system will not bother lending to any local, productive enterprise.

- *"End corruption."* This refrain, which has recently been incorporated as an IMF conditionality, simply means that any and all political opposition to the IMF's destruction of national sovereignty must cease.

Read on. In the pages that follow, you will stare into the face of Hell that awaits every nation on this planet, should these oligarchical policies not be banished.

## The systematic destruction of Russia

by Rachel Douglas

Since 1992, the annual rate of population loss in the Russian Federation has been "*more than double the rate of loss during the period of Stalinist repression and mass famine in the first half of the 1930s,*" economist Sergei Glazyev reported in his 1997 book on the so-called reform process in Russia. The title of the account is *Genocide*, as Glazyev analyzed the results of the post-1991 economic policy implemented in Russia, using the standards of the 1948 United Nations Genocide Convention. Most relevant was Article II of the Convention, which defines as genocide "actions, committed with the intention of annihilating, completely or in part, some national, ethnic, racial, or religious group as such." Sections C and D of Article II specify among the instruments of this crime, "the premeditated creation for any group of people of such conditions of life, as are intended to cause the physical destruction of the group in whole or in part," and "measures, intended to prevent births within the group."

For millions of Russians, and for the core of the Russian intelligentsia, the collapse of 1992-99 has been experienced as a series of lethal or near-lethal shocks.

The 1994 report *Reforming Russia: Myths and Reality*, issued by the Institute for Social and Political Research (ISPI) of the Russian Academy of Sciences under the leadership of Academician Gennadi Osipov, covered the events of 1992 under the heading, "The Catastrophe Arrives."

That was the year when newly independent Russia's government, under Prime Minister Yegor Gaidar, attempted to administer "shock therapy" by decontrolling prices on Jan. 1, 1992. It was the year of 2,600% inflation, which wiped out people's savings. It was in August of that year that "voucher privatization" was announced, beginning the fire sale of Russian real economic assets.

It was also the first year of negative population growth in the Russian Federation, which lost a net 200,000 people in 1992. From 1993 through last year, the annual natural population growth—the ratio of births to deaths—became *drastically negative*. Russia experienced an excess of deaths over births in each of those six years, ranging between 600,000 and 890,000. *Four and a half million more people died than were born, in 1992-98 Russia!* (The total population of the Russian Federation declined at a somewhat slower rate [**Figure 1**], due to the net immigration of several million Russians and others to the Russian Federation from other former Soviet republics.)

FIGURE 1

**Russian Federation: rate of population increase/decrease**

(percent per annum)

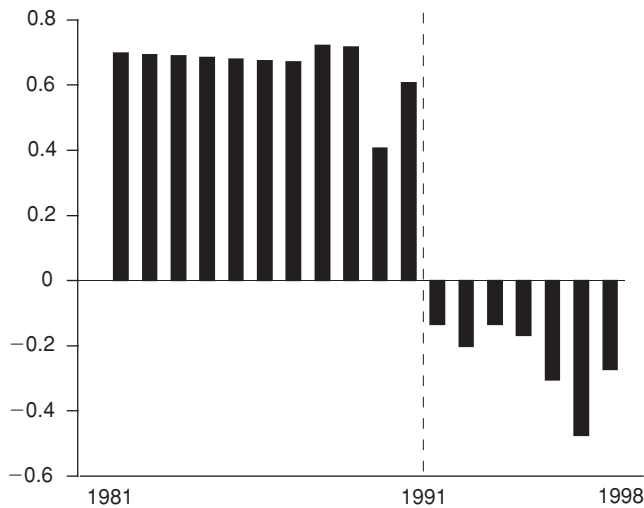
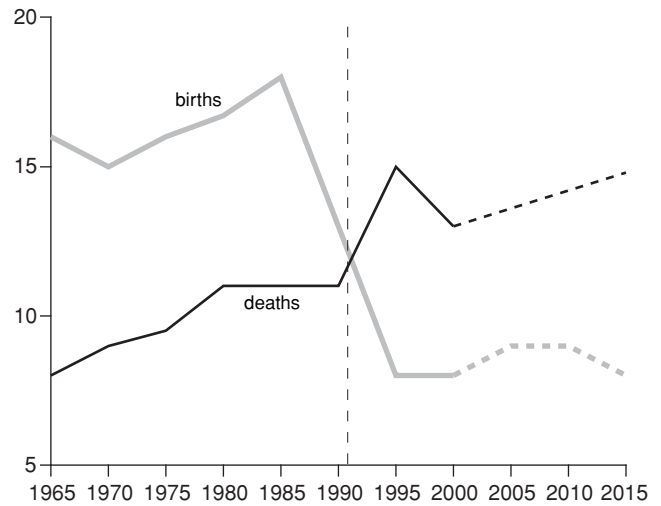


FIGURE 2

**Russian Federation: birth and death rates**

(per 1,000 population)



Projections past 1999 were made by the Institute for Social and Political Research (ISPI) of the Russian Academy of Sciences.

Deaths running higher than births by a factor of 1.6 (Figure 2), as was emphasized in a resolution from a 1997 Moscow conference attended by 1,700 physicians, means that “Russia is losing its main state asset—its citizens.” It translates into a catastrophic net population reproduction rate of 0.603 (6 births per 10 deaths), Glazyev reported in *Genocide*, remarking that “such a low level of reproduction is unprecedented, and has not been observed before now, neither in our country nor in others, even during wartime.”

The population collapse is observed, simultaneously, in some neighboring countries of the former Soviet Union, the largest of which is Ukraine. Already in February 1994, at an *EIR* seminar in Washington, D.C., Ukrainian publisher Taras Chornovil, who at that time was a city council member in Lviv, reported that “Ukraine unfortunately might become the first country where Malthusian theories lead to their most absolute results. . . . Today, the reduction of Ukraine’s population is proceeding at a terrible rate . . . [and] has reached a level that may be compared with genocide against the people—and before too long, perhaps even with the genocide of the 1930s, when between 7 and 10 million Ukrainians were annihilated by the artificially created famine.” Referring to a society’s ability to reproduce its population as the essential measurement in physical economy, the Ukrainian speaker concluded, “We can say, with reference to LaRouche’s works in physical economy, that the potential relative population density in Ukraine today is already significantly lower than the country’s actual population density.”

We shall return to the demographic disaster in the former

Soviet Union in more detail, having reviewed the policy that caused it.

**‘The perfect laboratory’**

During the past five years, numerous Russian institutes and committees of the State Duma (lower House of Parliament) have analyzed the outcome of the “reform” policy in Russia in terms of a national security breach. Demographic catastrophe, the privatization and asset-stripping of vital industries, import-dependency for food and other consumer goods—in each case, the Russian Federation crossed a “red line,” where national economic security is compromised. The Soviet Union “lost the Cold War,” goes one line of analysis, so what else should Russia expect, than for “the West” to take it over as a colony?

The perception by Russian patriots, that dominant forces in “the West” were out to destroy them, should be understandable. It is also demonstrably true.

The disaster in Russia resulted from the political enforcement of an evil and insane idea: British “free market” liberalism. In August 1991, in the midst of the power crisis in Moscow that marked the breakup of the Soviet Union, the *London Times* announced what was about to be inflicted on Russia: It reported that Lord Harris of High Cross, chief of the Mont Pelerin Society’s Institute for Economic Affairs (IEA), in London, was looking at Russia as “the perfect laboratory” to test out Thatcherism, and was ready to move in.

The Mont Pelerin Society is the late Friedrich von Hay-

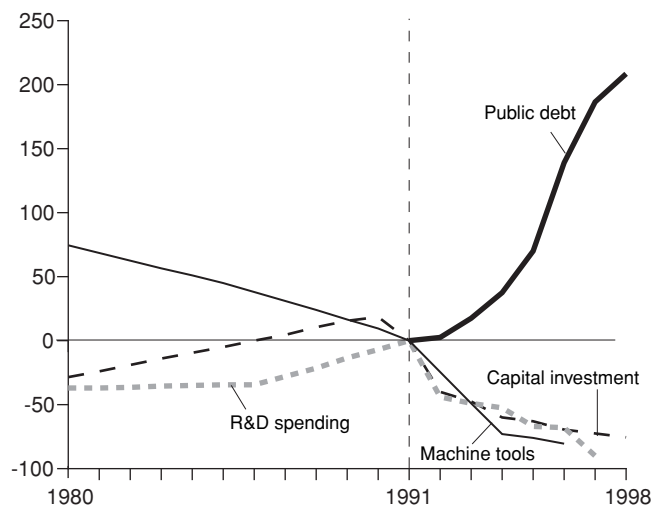
ek's club of oligarchs, dedicated to the destruction of the modern nation-state and to economics based on the ideology of the enemy of Benjamin Franklin, Bernard de Mandeville, and his concept of man as a greedy animal, worthy only of being a slave. The IEA became the chief think-tank, on an international scale, for so-called "Conservative Revolution" economics. The "Thatcherism" referred to by the *Times* in 1991 was launched according to IEA designs not only in the British Isles, but in New Zealand during the 1980s—with murderous results that were then paraded around the world as exemplary (see, most recently, *EIR*, Jan. 15, 1999, p. 7). Lord Harris boasts that the organizers of the New Zealand experiment were "in our pockets," and that the 1992 Russian government comprised "our men."

Swarms of advisers from the London School of Economics, the Harvard Business School, and other such locations would come later, as would the hands-on drafting of every year's Russian economic plan in coordination with the International Monetary Fund (IMF), which Russia joined only on June 1, 1992. The coup in Russian economic policy was accomplished already with the installation of "our men," the government of Yegor Gaidar. Political patronage for this small clique came from Margaret Thatcher's London and the U.S. administration of her puppet, "Sir" George Bush. Gaidar, privatization chief Anatoli Chubais, Finance Minister Boris Fyodorov—they were all pupils in Lord Harris's kindergarten. They had attended his seminars in eastern Europe in the mid-1980s and then in London, as the IEA pushed to recruit a cadre force in anticipation of upheavals in the Soviet Union. Gaidar's institute was directly sponsored by the IEA; it nearly shut down at the end of 1991, because most of its members entered the first Yeltsin government.

The Gaidar team launched the so-called "shock therapy," which embodied many techniques of looting and stealing. These were perpetuated and advanced during Viktor Chernomyrdin's five years in office as Prime Minister, beginning at the end of 1992. The destruction of Russia's industrial capacities, social infrastructure, and the living standard and cultural life of the population resulted not from "incomplete" application of the Mont Pelerinite "free market" principles, but precisely to the extent that they were successfully applied. The results sought and achieved were twofold: accelerated looting of the former Soviet Union, to provide an ever-greater stream of physical wealth and a domain for financial exploitation through usury, to fuel the greatest financial bubble in world history, on world markets; and, to block the potential for the collaboration of Russia and its former Soviet neighbors with nations of continental Europe and Asia, in a Eurasian industrial renaissance that would challenge the doomed financial power of the British-American-Commonwealth oligarchy, as well as its geopolitical hegemony. That potential has been reanimated since September 1998, as the Yevgeni Primakov government struggles to stem capital flight and to bring the Russian Federation into a "Survivors' Club" with

FIGURE 3  
**Russian Federation: a typical collapse function**

(index: 1991=0)



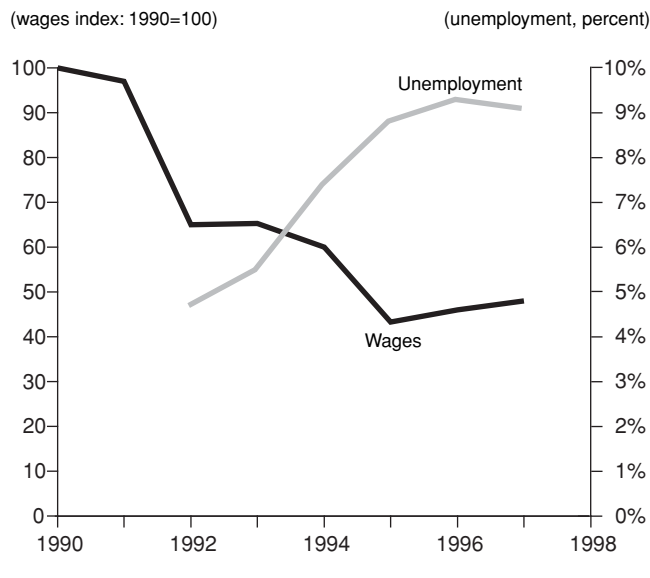
China, India, and other Eurasian nations.

Lyndon LaRouche, speaking on May 16, 1996 as a U.S. Presidential pre-candidate, reviewed what had been done to Russia thus far: "You have terrible conditions in Russia. Now, these conditions were *intentional*. There were no 'mistakes' made in Russia by Thatcher, Mitterrand, and Bush. They were determined to destroy Russia and its people, with a kind of worse-than-Morgenthau Plan, so that part of the world that had formerly been eastern Europe or the Soviet Union, *would never come back again*. It would be depopulated. The Russians would not be allowed to have advanced industries; they would export natural gas and petroleum, and strategic minerals, at low prices, to the London market. They would not be allowed to have industry. Their scientific establishment would be taken down and destroyed. The birth rate would be dropped. The population would be more than halved. The conditions of life would be made worse. Disease would become rampant. Life expectancy would be shortened."

### Collapsing the future

Figure 3 shows that the Russian economy mimics LaRouche's "triple curve" illustration of a "typical collapse function." On the upper half of the graph, the public debt rises at a rising rate, until it runs off the chart or into the wall, as happened when the government bond portion of the Russian public debt collapsed on Aug. 17, 1998. The 1991 point of departure (where index = 0) was the \$68 billion of Soviet foreign debt, which the Russian Federation assumed. A market for government bonds, called GKO and OFZ, was instituted in 1993, ostensibly to finance the federal budget deficit.

FIGURE 4  
**Russian Federation: real wages and official unemployment**



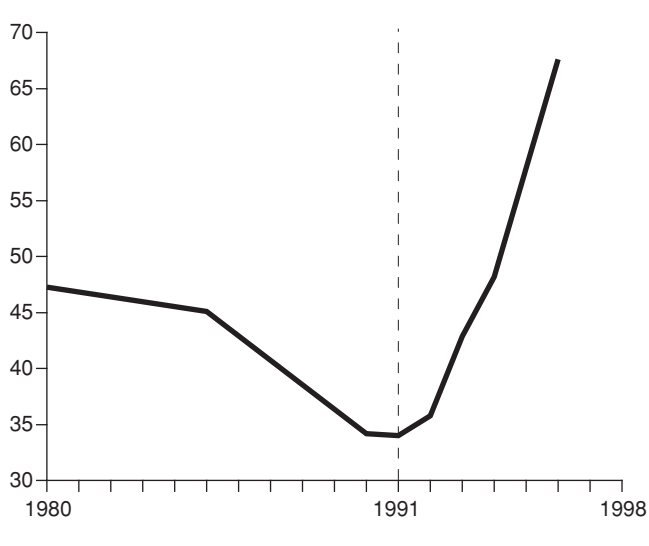
In early 1996, foreign investors — actually speculators — were allowed to freely participate in the government bond market. Then came the triple-digit returns on GKO, which earned Russia the label of “world’s hottest emerging market” in 1996-97.

The proceeds of GKO speculation became part of the income stream, provided by Russia to the global financial bubble. Meanwhile, the double- and triple-digit returns, available in the bond market, kept investment out of the productive sector. The rise of unemployment and collapse of wages (Figure 4) have come about as industry shut down, while huge state- and private-sector wage arrears accumulated; in the name of the “macroeconomic stabilization” formulas of the IMF, which require low inflation and reducing the budget deficit, money in circulation was restricted and state-sector wages not paid for months on end.

The takedown of Russian industry has many apologists, who employ the argument that the defense-dominated industrial sector, inherited from the Soviet Union, was irreparably “metal-eating,” “value-subtracting,” “loss-making,” and irrelevant to a post-industrial age. As Harvard’s Jeffrey Sachs put it in 1992, “The imbalances will be abolished only when millions of factory and office workers from the heavy industry sectors leave their usual jobs and get down to the business that society really needs.”

The bottom of our Russian collapse function (Figure 3) gives the lie to such arguments. It reveals the catastrophic collapse, by 80% or more, of areas of economic activity that determine the future viability of a national economy: produc-

FIGURE 5  
**Russian Federation: tuberculosis cases**  
 (per 100,000 population)



tion of machine tools, investment in capital construction, and R&D spending as a ration of total national economic product. Consumer goods production (presumably, “what society really needs”) collapsed, too.

Russian economist S.M. Belozero, of the Institute of Employment Problems, Russian Academy of Sciences, analyzed the structure of disemployment in post-Soviet Russia in “The Deformation of the Structure of Industrial Employment in Russia” (published in *EIR*, July 4, 1997). She found that the steepest declines of employment took place in textiles and light industry (consumer goods), where 65% of industrial operatives had left by 1997, and in the highest-technology sectors, the machine-tool and instrument industries, where more than two-thirds of the operatives had left work. By contrast, Belozero reported that “the greatest numerical growth [of employment of industrial operatives] is observed in the natural gas industry. . . . Thus, we can say that the dynamics of employment, like the investment process, have come to stand on ‘raw materials legs.’ ”

Accordingly, a flood of imported consumer goods had risen to a share of over 60% on the Russian market by 1998, in categories where Russia had been nearly 100% self-sufficient. Russia became 40% import-dependent for food. In the big cities, the level rose closer to 80%.

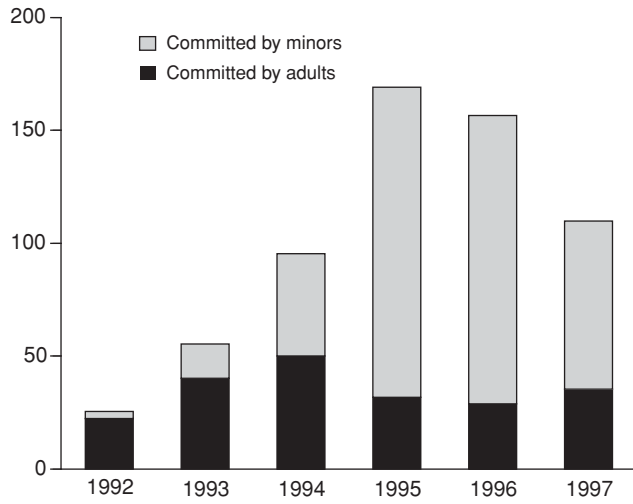
### Children: death of the future

The prominent Ukrainian economist and Member of Parliament Dr. Natalya Vitrenko, addressing a Feb. 19, 1997 seminar in Washington, D.C. on “Why IMF Conditionalities for Russia and Ukraine Must Be Scrapped” (*EIR*, March 14,

FIGURE 6

**Russian Federation: serious crimes**

(thousands of incidents)



1997), reminded that “Ukraine is a country in the center of Europe, a country which produced equipment for the space program, and the most modern submarines; a country which had the highest level of education in the world.” After five years of the radical liberalism of “shock therapy,” like Russia’s, Ukraine had shifted to the status of “first in the world in the rate of abortions.”

The 1992-98 rates of population loss in Russia and Ukraine were not a statistical trend, but an abrupt collapse. By 1994 and 1995, when natural population growth in Russia reached the extreme levels of negative 893,000 and negative 840,000 people (excess of deaths over births, with immigration not counted), respectively, the Russian Federation had undergone two years of Mont Pelerinite “reform.”

Epidemics of diseases such as tuberculosis, the classic disease of poverty (Figure 5), reflect a public health collapse, resulting from drastic disinvestment in “soft” infrastructure (education, health care, science) as well as “hard” infrastructure (transport and utilities, including water supply). Diseases that were under control have returned in Russia: TB, diphtheria, poliomyelitis, even cholera. Research by ISPI shows that deaths from accidents and poisonings nearly doubled between 1992 and 1994. Glazyev documents the deaths of 40-50,000 people per year in the mid-1990s from poisoning with low-quality alcohol, including imports, and a similar number from the consumption of substandard food imports, for which the gates were opened under “free trade.”

The disease profile for Russian children is abominable. Russia’s Presidential Commission for Women, Family, and Demography reported that, as of 1996, only 10% of high

school graduates had “normal” health, while 40% suffered from chronic illnesses and another half were acutely ill at any one time. Demographer Murray Feshbach reports that one out of three potential military conscripts for the Russian Armed Forces has been rejected for health reasons, in recent years; in 1996, some 15% of the draftees were underweight.

The pattern of the impact on children, of public health deterioration, and of the growth of crime, depicts a social catastrophe, unfolding in tandem with the economic collapse. Figure 6 shows the surpassing growth of juvenile crimes linked with narcotics, within the overall rise of this type of criminality. Likewise, the epidemic of syphilis in Russia was marked by a 32.5-fold increase in total syphilis cases between 1991 and 1996, but for children the rate of infection increased 40-fold (reported cases reached several thousand). Sexually transmitted diseases further ravage the reproductive potential of the Russian population.

Where are these children? At least 2 million children in the Russian Federation are homeless. Estimates of the number of school-age children not regularly attending school run as high as 10 million—approximately one-third. Some of the children are on the street. Some are working, for, as filmmaker Stanislav Govorukhin documented in “The Great Criminal Revolution” in 1994, a child courier for organized crime, at that stage of “reforms,” could “earn more in a single day, than a nuclear physicist in a year.”

These most egregious demographic and social anomalies match perfectly the Mandevillian ideology that guided economic policy in Russia until September 1998: Let users drive for loot as hard as they can, gaining from the destruction of the weak, of children, and of the nation-state.

## Mortality rates rising in Africa

by Linda de Hoyos

“Evidence continues to accumulate that the countries of Sub-Saharan Africa are failing to keep pace with gains achieved elsewhere in the developing world. Though the reasons for this divergence are complex and the gap between Sub-Saharan Africa life expectancy and that of other developing regions has been widening since the 1950s (United Nations 1969), a substantial part of the stagnation of the region’s life expectancy during the 1990s and during the coming decade can be attributed to the HIV/AIDS epidemic,” states the “World Population Profile: 1998” published by the U.S. Agency for International Development based on statistics of the U.S. Census Bureau’s International Data Base.

But HIV is clearly not the only problem. The same report