

## Proof: Privatisation is genocide

Excerpt from *Genocide: Russia and the New World Order*, by Sergei Glazyev, published by EIR News Service, 1999.

**S**ergei Yurevich Glazyev is a doctor of economic sciences, a professor, and the author of numerous works on economics. He has variously served as a Member of the Russian State Duma, including as its deputy and as the head of its economic policy committee. At the age of 31 (in 1991) he became first deputy minister and then minister of foreign economic relations of the Russian Federation. He was the only member of the cabinet to resign in protest at President Boris Yeltsin's abolition of the Parliament and Constitution in September 1993. Today Glazyev is an Academician of the Russian Academy of Sciences and Advisor to President Putin.

Glazyev's book, *Genocide*, covers the period October 1993 to August 1998. Glazyev examines how the radical liberal economic reforms imposed after the collapse of the Soviet Union led to the global financial crisis of August 1998, beginning in Russia with the GKO bond crisis and spreading internationally. The coup d'état of September-October 1993 removed the constitutional obstacles to imposing genocidal policies: "Having gotten free rein [the revolutionaries] carried out, under cover of market reforms, a consistent policy of appropriating the national wealth and colonising the country for the benefit of international capital, the consequences of which have been catastrophic for the Russian people", Glazyev observes in his introduction to Part I.

In Part I Glazyev looks analytically at the causes of the ensuing economic looting and disintegration. He covers the areas of price deregulation, privatisation, financial pyramid schemes, macroeconomic policy and budget cuts. He reserves particular hatred for the process of the privatisation of Russia's national wealth and assets, describing it as the "chosen method for effecting revolutionary change" with a phenomenally destructive impact on the country's productive forces. Australians will relate to this, because they are also developing a particular hatred for privatisation, having dumped numerous governments, the latest being the Queensland state government of Campbell Newman, over the issue. Hence we reproduce, below, the section of Glazyev's book on privatisation, which devastatingly rips apart the



Lyndon and Helga LaRouche appear with Sergei Glazyev at a press conference in Moscow in 2001, when Lyndon LaRouche spoke before an official hearing of the lower house of the Russian Parliament, during hearings sponsored by Glazyev, the then chairman of the Duma Committee on Economic Policy.

mechanism of privatisation as nothing but expropriation of the wealth and of the rights of the citizens, and which "became synonymous with lawlessness and corruption".

"In fact," Glazyev says, privatisation "was the illegal appropriation (plunder) of the largest lot of property that ever fell into the hands of a criminal community in the history of the world."

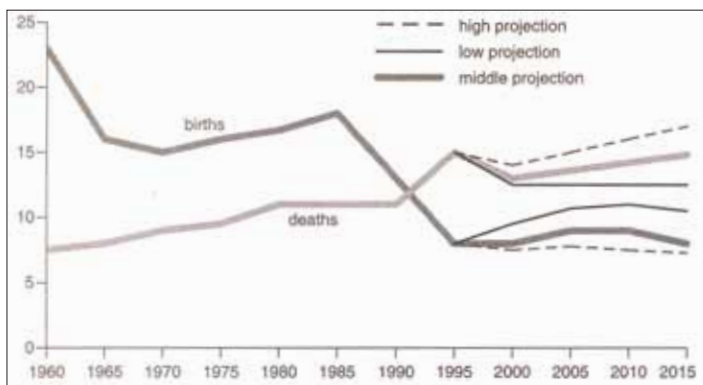
Glazyev does not exaggerate his claims of genocide in Russia in the period he covers. Chart after chart shows the decline in life expectancy, the increase in disease and crime, and the literal depopulation of the country. (See graphs.) And he defines his choice of term explicitly, with reference to the UN Convention on Genocide:

"Let us recall that in 1954 our country adhered to the United Nations International Convention on the Prevention and Punishment of the Crime of Genocide. According to this Convention, genocide is defined as a crime, committed with intent to destroy, in whole or in part, a national, ethnical, racial or religious group, as such. The Convention emphasises that genocide by no means has to entail the use of physical violence or the conduct of war. Among the instruments of the crime, the Convention identifies, in particular, 'deliberately inflicting on the group conditions of life, calculated to bring about its physical destruction in whole or in part,' and 'measures intended to prevent births within the group.'"

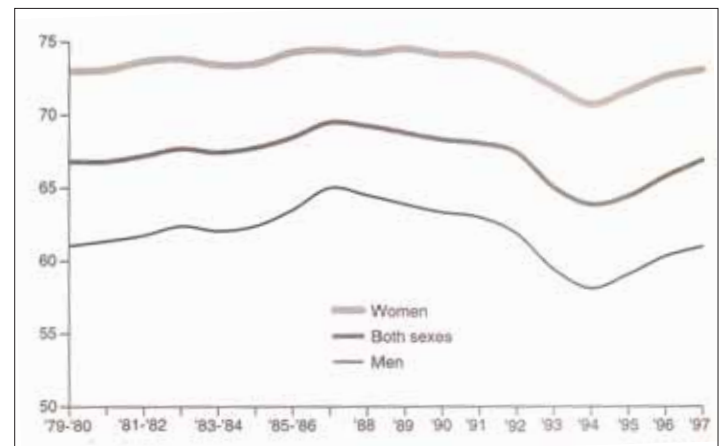
He goes on to say that often such genocide is "cloaked with quite respectable slogans about reforms for the good of society, to attain freedom and social justice."

Writing in 1998-99, Glazyev nonetheless expresses confidence that Russia can recover, but only if the "reform" policies of the 1990s are completely rejected.

Glazyev's book provides unique insight into what Vladimir Putin was dealing with when he first became President in March 2000. His moves to deal with Russia's then super-powerful oligarchs and revive Russia's industrial and scientific sectors have been crucial. The continuation of this drive, together with closer collaboration with other BRICS nations, particularly China and India are key for



Overall birth and death rates (number of people born and deceased per 1,000 population)



Russian population: average life expectancy at birth (number of years)

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Russia's survival today as they are squeezed by economic sanctions from the US and Europe in response to Ukraine. (The Ukrainian born Glazyev was personally listed in the Obama administration's first round of sanctions.)

In his Preface to *Genocide*, written in Sept. 1999, US physical economist Lyndon LaRouche foreshadowed the BRICS role in Russia's revival. He wrote that "we must act immediately, to change the present world system in a most sudden and radical way... the USA must find a powerful array of accomplices among nations of the world. These nations, acting in concert, must make those sudden and sweeping changes, which eliminate immediately the present IMF system, and introduce its healthy replacement. ...The nations which must be brought together to make such a quick decision, must be a group of sovereign nation-states representing a majority of the world's population. This includes, together with the President of the USA, the sovereign governments of Dr. Glazyev's Russia, China, India, at least some nations from western continental Europe, plus other states of Eurasia, Africa, and the Americas likely to rally to the same effort."

In April 2014 Glazyev proposed a 15-point plan to protect the Russian economy in the face of sanctions, which included moving out of the US dollar, arranging credit and currency swaps with China, settlement of export/imports in national currencies, creating an independent interbank transaction/settlement system, channelling funds through state owned banks to finance Russian industry, and returning strategic enterprises, resources and real estate back under Russian control. This all represents the reversal of the policies imposed on Russia over the 1990s.

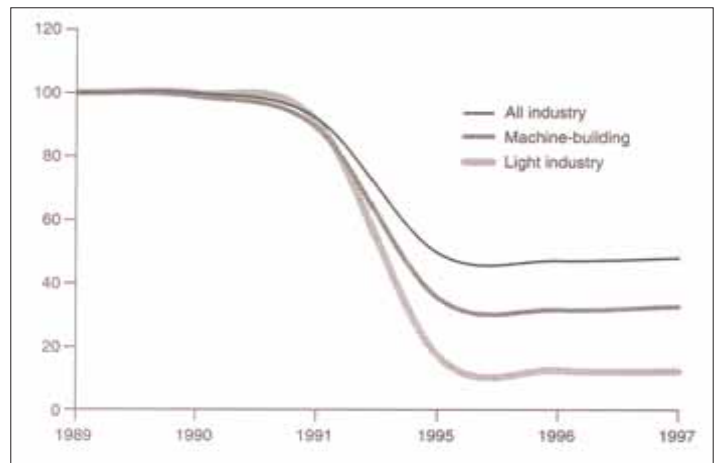
### Genocide, Part I, Chapter 3, "Causes"

**Cycle 2—1992-1993. The overwhelming majority of the populations loses its rights to previously created national property, which is privatised by a thin layer of the ruling oligarchy.**

The large-scale privatisation of state property led to a redistribution of national property, accumulated over decades, in favour of the immediate organisers of this action and their "consultants" and partners, who set up shop in the vicinity of the State Property Committee and took an active part in various privatisation measures. The population, unprepared for this action and poorly informed, was deprived of any opportunity to make effective decisions. Under conditions of a steep decline in incomes, people were forced to "dump" their privatisation vouchers\* into the hands of shady middle-men. Most of the latter, who in turn lacked adequate information to make effective direct investments, merely resold the vouchers or speculated on the shares of privatised companies, appropriating what they made from those operations and deceiving gullible investors.

The people who ultimately gained from the chaotic redistribution of property and the speculative boom that arose as this occurred, were the best-informed people—those who had personally taken part in organising the process. A typical example is the amazing commercial success of the foreign consultants and partners of the leaders of Russian privatisation, who utilised their inside information to organise the mass acquisition of shares in privatised enterprises for the benefit of foreign banks [23]. In the Spring of 1997, a noisy scandal flared up around the shady dealings of these foreign advisers to the Russian privatisation agency. True, the scandal was raised not in Russia, where they had inflicted enormous damage on the economy, but in the USA, where the actions of these American citizens were seen as criminal wrongdoing that discredited the values of democracy, threatening the successful implementation of market reform.

The well-informed people who speculated on the resale of



Industrial production by sector (Index: 1989 = 100)

stock shares of privatised companies accumulated enormous capital. The sums invested in buying vouchers from the population were multiplied tens of times over, in the course of reselling the shares of the privatised enterprises to interested foreign companies. A single foreign bank, which worked closely with the Russian Government and employed one of these "advisers", resold shares of Russian enterprises in the amount of nearly one billion dollars in 1994 alone. The voucher and investment funds, set up by such "advisers", dominate the Russian stock market to this day, continuing to "earn" money by speculating on the greatly devalued shares of Russian companies.

Behind many of those who had thrived on speculation in vouchers and the shares of Russian companies that were privatised for a song, are international swindlers, "naturalised" under the wing of the organisers of mass privatisation. They established themselves with official Russian agencies as advisers, consultants, and experts. The organisers of the privatisation campaign needed them for several purposes. They would pave the way into international financial structures. They made it possible to extract superprofits by transferring abroad the rights to privatised national wealth. They provided the respectable appearance of a progressive "reform" as a cover for the unprecedented campaign that was being carried out in Russia to appropriate and loot an enormous quantity of property, and they secured recognition by the international establishment.

As a result of manipulation of their stock shares, many Russian enterprises ended up in the hands of foreign competitors, who handled them as suited their own short-term interests. As a rule, those interests were confined either to squeezing the maximum profit out of the companies (as occurred with many steel, chemicals, and paper industry enterprises), re-profiling them to meet the requirements of foreign companies for production of the most labour-intensive or ecologically polluting components (as in the case of a number of electronics companies), liquidating them as competitors (as often happened in science-intensive machine-building), or utilising them for purposes of grabbing the domestic market (the food industry and constructions materials).

The result was that during 1996-1997, financial speculators realised enormous profits from the prices rises on shares of companies that had been privatised for next to nothing. Those share prices soared an average of 3.5-4 times over in the course of those two years [24]. Every ruble invested in the acquisition of privatisation vouchers by these speculators, who were closely linked to the privatisation agency, subsequently yielded them tens of rubles of profit as they resold, at rising prices, the shares of companies that had initially been valued at several times below their worth. The State suffered corresponding damage or missed opportunities for gain.

Here again, as in the case of the devaluation of citizens' savings,

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the organisers of the privatisation campaign had every opportunity to suppress the illegal machinations of their “advisers” and other intimates, to prevent speculative swindles involving the population’s privatisation vouchers, and to forestall their devaluation through thieving operations to redistribute property. Not only was this not done, but, to the contrary, investigations by the Prosecutor General’s office [25] indicate that many of the leaders of the privatisation campaign became actual participants in it, crudely violating the law as they privatised state property for their own benefit. The patently criminal nature of the mass privatisation campaign (the Prosecutor’s office has uncovered 3,000 to 5,000 violations of the privatisation laws each year), however, had no effect on the policy of the individuals and structures running the process. Of the 140 top domestic entrepreneurs, 40 were previously involved in illegal businesses, while 20% of them have been prosecuted for criminal activity [26].

It is well known by now, that the most important actions in the privatisation of state property were in the nature of a plot between officials and interested commercial structures, and were of a clearly criminal character. The most scandalous swindles of this genre were the privatisation of several major oil companies through so-called “loans-for-shares” auctions, the privatisation of leading banks and shares of major Russian natural monopolies by small groups of influentials, the seizure of many ports and other local monopolies by criminal organisations, the free-of-charge transfer of major industrial firms by the organisers of “competitive investment auctions” to their partners-in-crime, after which the “winners” failed to carry out their obligations. All that is merely the tip of the iceberg in the most gigantic swindle of the century, organised in Russia in the guise of “reform”. In fact, it was the illegal appropriation (plunder) of the largest lot of property that ever fell into the hands of a criminal community in the history of the world.

The campaign to appropriate national property for the benefit of a small group of well-informed people was carried out under the slogan of “people’s privatisation”. Additionally, it caused a disorganisation of production, the rupture of economic ties, and a rise of transaction charges, which resulted in a sharp reduction of the efficiency of production and a devaluation of the privatised companies. The chaos in property relations, caused



Glazyev with Russian President Vladimir Putin.

by the privatisation campaign, and the elimination of any responsibility whatsoever, corrupted many economic managers, breeding a rapacious attitude toward the privatised property. It was followed by the real looting of many previously efficient enterprises and the breakup of once highly productive labour collectives. A significant number of promising companies came under the control of foreign competitors. As a result of these developments,

the efficiency of production, as measured by labour productivity, energy-intensity, and other generally accepted indicators, fell by more than one-third, and output dropped by one-half.

But the privatisation campaign made its most destructive impact, perhaps, with the formation of stereotypes of business behaviour. By creating opportunities for easy enrichment through the acquisition of state property and subsequent speculation in the shares of privatised companies, the adopted method of mass privatisation oriented the most active and energetic businessmen not toward the creation of new wealth or the satisfaction of the needs of society, but toward the division of unearned wealth and the appropriation of sources of income, created earlier by society as a while. Production thus ceased to be attractive for the majority of entrepreneurs—against a backdrop of triple-digit annual profits from the acquisition and subsequent resale of state property, the single-digit profitability rates in the productive sphere made any kind of activity in production economically senseless.

The privatisation campaign in Russia shaped an anomalous type of businessman, oriented not toward earning profits by the creation of new material goods for consumers, as in a normal market economy, but toward the acquisition of previously created wealth. Accordingly, instead of economic growth, achieved by the activation of creative entrepreneurial energies, we have experienced a colossal collapse of such growth, as a result of the explosion of criminal activity, provoked by the legalised plunder of state property. It is not surprising, that the Prosecutor General’s data show that the number of infractions of the law, committed in the course of the privatisation of state property, has consistently exceeded the number of actual privatisations for the past several years. Privatisation, organised as a free-of-charge distribution of property, became a powerful factor in the criminalisation of the economy and society. In 1997 alone, the Prosecutor’s Office brought to court 203 motions to declare null and void the results of state property auctions, 267 protests were lodged against illegal actions by the property funds and privatisation directorates, and 643 motions were submitted to eliminate identified violations of the law in this area [25]. In 1995-1996, Internal Affairs agencies in collaboration with employees of the Prosecutor’s Office uncovered and stopped more than 10,000 of the grossest violations of the law, and brought to court 2,000 cases of the illegal privatisation of state property.

As indicated in the Foreign and Defense Policy Council’s report on the criminalisation of Russian society, “over 30,000 crimes have been uncovered in the country in this sphere since the beginning of the reform of property relations (despite the largely latent quality of economic infractions of the law). Numerous instances of embezzlement of the monetary proceeds from privatisation have been uncovered, as well as bribetaking by persons delegated by the State to handle the reform of property relations. The criminal nature of Russian privatisation and its significance for the development of corruption in Russia is best illustrated by the fact that in practically every second region of the country, leaders of the

### The Genocide Convention

CONVENTION ON THE PREVENTION AND PUNISHMENT OF THE CRIME OF GENOCIDE.

ADOPTED BY THE GENERAL ASSEMBLY OF THE UNITED NATIONS ON 9 DECEMBER 1948

#### Article I

The Contracting Parties confirm that genocide, whether committed in time of peace or in time of war, is a crime under international law which they undertake to prevent and to punish.

#### Article II

In the present Convention, genocide means any of the following acts committed with intent to destroy, in whole or in part, a national, ethnical, racial or religious group, as such :

- (a) Killing members of the group;
- (b) Causing serious bodily or mental harm to members of the group;
- (c) Deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part;
- (d) Imposing measures intended to prevent births within the group;
- (e) Forcibly transferring children of the group to another group.

#### Article III

The following acts shall be punishable:

- (a) Genocide;
- (b) Conspiracy to commit genocide ;
- (c) Direct and public incitement to commit genocide;
- (d) Attempt to commit genocide ;
- (e) Complicity in genocide.

local administrations, territorial property management committees, and property funds, have been indicted.

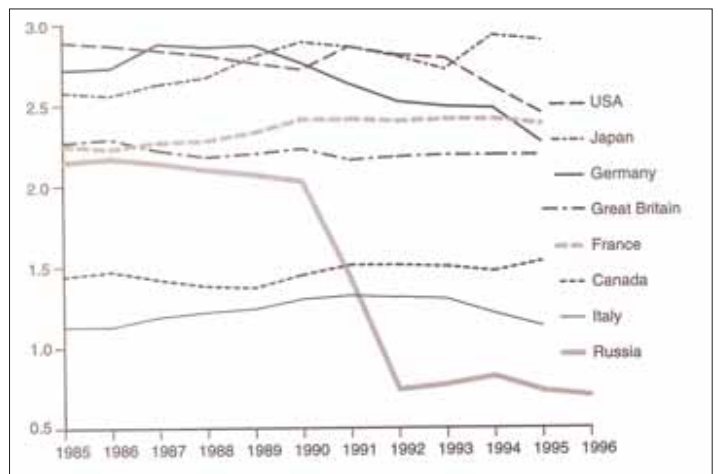
"It is evident today, that the privatisation process from the outset was 'saddled' with criminal capital and became the most important instrument not only for 'laundering' money, but for raising the degree of criminalisation of Russia as a whole. The very nature of privatisation facilitates an explosive development of corruption in government, involving, first and foremost, those agencies that directly carry out privatisation. The wages of the chief of the Vologda Province territorial directorate of the Ministry for State Property were \$16,500 per month, which is almost double the salary of the President of the United States [in recent times].

"Studies of the criminal milieu in major cities (Moscow, St. Petersburg, Yekaterinburg, and others) show an increase in the number of crimes, connected with the illegal acquisition of citizens' real estate, including buying and selling. In Moscow alone, there are estimates that over 30,000 people have lost their apartments and become homeless as a result of such crimes (and it should be emphasised that this figure does not include people who shifted to inferior lodgings, moved in with relatives, switched to rental housing, or moved out of Moscow)." [49, pp. 7-9]

A report by the Prosecutor General's Scientific Research Institute for Problems of Strengthening Law and Order concluded that "the process of mass privatisation of state-owned and municipal enterprises and housing ... occurred in a highly unorganised and hasty fashion, without due state supervision. Everywhere, it was accompanied by numerous serious infractions of the law, such as: illegal acquisition of federal property; transfer of a huge quantity of national capital into the hands of a select small circle of people; loss of the controlling block of shares in many companies in important sectors of industry; depression of the value of privatised entities; unlawful mortgaging of state property; unlawful sale of facilities belonging to the social services sphere; privatisation of housing to the detriment of minor's rights under the law, and so on." [26, p. 19] These consequences were easily predictable, scientists warned about them, and they could have been completely prevented.

The predatory motivation that took shape among entrepreneurs is fully manifest with respect to the people who work at privatised enterprises. The "school of human relations" has been accepted in world management practice for a long time. It provides for a considerate attitude to the "human factor", as key to a company's competitiveness. The above-cited report, however, indicated that our "new owners and employers, in the race for profits and for other reasons, do not create appropriately healthy and safe conditions in the workplace. As a result, the level of on-the-job injuries is rising. Up to 300,000 people per annum are injured in production, of whom 6,000 die. The number of violations of labour safety laws, uncovered by the Prosecutors' offices, rose from 4,951 in 1995 to 8,062 in 1996 (an increase of 42%), and in 1997 the number grew to 11,571, i.e. 35% more. The percentage of industrial operatives working under harmful or dangerous conditions of labour rose from 18% to 42.3% in a five year period." [26, p. 20]

Many articles were written to warn the authorities about the probable destructive consequences for the economy from mass voucher privatisation. Nonetheless, the version chosen from all



Spending on science in the Group of Seven countries and in Russia (% of GDP)

the possible schemes for the privatisation of state property was this most primitive one, which was also the most destructive and fraught with social conflict, leading to the criminalisation of the economy, the destruction of production and technological cooperation links, chaos in property relations, the steep decline of the volume and efficiency of production, and an increase of social tension. This version ran counter to scientific recommendations, common sense, and international experience. It provoked the chaotic destruction of economic ties and massive violation of the law. It was illegal in its very method of implementation. Its unquestionable advantages for its organisers, however, included speed and exceptional possibilities for the appropriation of enormous state and exceptional possibilities for the appropriation of enormous state assets and redistribution of accumulated national wealth for their own advantage. This version of privatisation was so attractive to the "oligarchy" that was taking shape, that a coup d'etat was carried out in order to implement it, and the Parliament, which resisted violations of the law, was crushed with artillery fire.

As was the case with the redistribution of monetary streams and savings, the ruling oligarchy's accumulation of property did not entail the creation of new values and material goods, but rather the redistribution, for its own advantage, of national wealth that had been created by the labour of the entire people—in effect, expropriation from the rest of the population. The ideologists of privatisation for the benefit of its organisers treated state property as if it were ownerless, available to be divided up without infringing anybody's rights.

In reality, the appropriation of state property by any individual or group is the alienation of all other citizens' rights to it, and affects their interests. If today we make a comparative analysis of the decisions adopted by the interested parties, who organised the privatisation campaign, with its consequences in the allocation of property and wealth, an unquestionable connection of the former with the latter is uncovered. The entire practice of privatisation is likewise associated with the interests of the group that seized power, which demonstrates that the economic policy they carried out was subjectively influenced by these interests.

#### Footnotes:

\*(Additional footnote not in original text.) "Industrial enterprises that had previously been subordinate to ministries and other state agencies became independent and were converted to joint stock companies, with half their shares being designated for distribution to their employees, and the rest to the population at large through a voucher program." Introduction to *The Anatomy of Russian Capitalism*, Stanislav M. Menshikov, EIR News Service, 2007.

23. Nezavisimaya gazeta, Aug. 28, 1997.

24. Ekspert, Jan. 12, 1998, No. 1.

25. *On the State of Legality in the Privatisation of State Property*, April 24, 1997; *On the State of Legality in the Process of Privatisation of State Property*, December 26, 1996; *On the Implementation of Laws in the Privatisation of State Property in the Russian Federal Property Fund*, January 26, 1998. Prosecutor General's Office of the Russian Federation.

26. *The State of Legality in the Russian Federation (1996-1997)—Report of the Scientific Research Institute on Problems of Strengthening Law and Order, at the Prosecutor General's Office of the Russian Federation*. Moscow: 1998.

49. *The Criminalisation of Russian Society. Report of the Council on Foreign and Defence Policy*. Moscow: 1998.