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THE FOLLOWING IS ANNE WILLIAMSON'S TESTIMONY before the Committee on Banking and Financial Services of the U.S. House of Representatives, presented Sept. 21, 1999.

It shows how the historic opportunity given the U.S. to help transform Russia into a free, peaceful, pro-Western country was squandered in the form of a bruising economic rape carried out by corrupt Russian politicians and businessmen, assisted by Bush and (especially) Clinton administrations engaged in political payoffs to Wall Street bankers and others, and by ineptitude and greed on the part of the U.S. Treasury and the Harvard Institute for International Development, assisted by fellow travellers and manipulators at Nordex, the IMF, the World Bank, and the Federal Reserve.

The losers were the Russian people and (mainly) U.S. tax-payers.

And the winners? Ms. Williamson names names, and that's why the elite media has shut out her book. She indicates their heroes are thieves, and they are afraid she may be right.

…I should like to add just a few words about myself by way of introduction. I am the author of ***Contagion: the Betrayal of Liberty; Russia and the United States in the 1990's****,* which will be available to Committee Members and the American public in time for the nation's Thanksgiving holiday. Prior to beginning my work on the book, I covered just about all things Russian for a broad range of publications which included *inter alia* The Wall Street Journal, The New York Times, Mother Jones, Art and Antiques, Premiere, Film Comment and SPY Magazine. From the late 1980's until 1997, I maintained homes in both Moscow and the United States. And therefore I can say for much of the last decade I had the privilege of being a witness to a dramatic history and the pleasure and excitement of sharing with the Russian people their remarkable land, language and culture. And it is with a profound gratitude to and a deep respect for that noble, heroic and too long-suffering people that I speak to you today.

In the matter before us – the question of the many billions in capital that fled Russia to Western shores via the Bank of New York and other Western banks – we have had a window thrown open on what the financial affairs of a country without property rights, without banks, without the certainty of contract, without an accountable government or a leadership decent enough to be concerned with the national interest or its own citizens' well-being looks like. It's not a pretty picture, is it? But let there be no mistake, in Russia the West has truly been the author of its own misery. And there is no mistake as to who the victims are, i.e. Western, principally U.S., taxpayers and Russian citizens' whose national legacy was stolen only to be squandered and/or invested in Western real estate and equities markets.

The failure to understand where Communism ended and Russia began insured that the Clinton Administration's policy towards Russia would be riddled with error and ultimately ineffective. Two mistakes are key to understanding what went wrong and why.

The first mistake was the West's perception of the elected Russian president, Boris Yeltsin; where American triumphalists saw a great democrat determined to destroy the Communist system for freedom's sake, Soviet history will record a usurper. A usurper's first task is to transform a thin layer of the self-interested rabble into a constituency. Western assistance, IMF lending and the targeted division of national assets are what provided Boris Yeltsin the initial wherewithal to purchase his constituency of ex-Komsomol [Communist Youth League] bank chiefs, who were given the freedom and the mechanisms to plunder their own country in tandem with a resurgent and more economically competent criminal class.

The new elite learned everything about the confiscation of wealth, but nothing about its creation. Worse yet, this new elite thrives in the conditions of chaos and eschews the very stability for which the United States so fervently hopes knowing full well, as they do, that stability will severely hamper their ability to obtain outrageous profits. Consequently, Yeltsin's "reform" government was and is doomed to sustain this parasitic political base composed of the banking oligarchy.

The second mistake lay in a profound misunderstanding of Russian culture and in the Harvard Institute of International Development advisers' disregard for the very basis for their own country's success; property rights. It was a very grave error. Private property is not only the most effective instrument of economic organization, it is also the organizational mechanism of an independent civil society. The protection of property, both of individuals' and that of a nation, has justified the existence of and a population's acceptance of the modern state and its public levies.

Russian property rights are tricky; property has never been distributed, but only confiscated and awarded on a cyclical basis. For the big players property exists, as it always has, only where there is power. For the common man, the property right hasn't advanced much beyond custom which prevents the taking of any man's shelter, clothes or tools so long as continuous usage is demonstrable. An additional, purely Slavic feature of the Russians' concept of property is the shared belief that each has a claim upon some part of the whole.

In ancient 'Rus', property existed for the individual as a claim – or an entitlement if you will – to a shared asset, a votchina or "estate", held by all the members of a particular clan. This understanding of property still informs the culture; though Westerners bemoan Moscow mayor Yury Lyuzhkov's retention of the system of the residential permit ("propiska") as an impediment to a flexible labour force, the policy is one of Lyuzhkov's most popular. Muscovites are well-satisfied with a mayor who polices outsiders as they believe any proprietor of such a great estate as Moscow should.

The Russians' failure to accept the Roman concept of private property has compelled them to suffer the coercive powers of the state so that at the very least a civil order, if not a civil society, might be established and sustained. The hackneyed idea that Russians have some special longing for tyranny is a pernicious myth. Rather, they share the common human need for predictable event undergirded by civil and state institutions and their difficult history is the result of their struggle to achieve both in the absence of private property.

Since only the Tsar or the Party had property, no individual Russian could be sure of long-term usage of anything upon which to create wealth. And it is the poor to whom the property right matters most of all because property is the poor man's ticket into the game of wealth creation. The rich, after all, have their money and their friends to protect their holdings, while the poor must rely upon the law alone.

In the absence of property, it was access – the opportunity to seek opportunity – and favour in which the Russians began to traffic. The connections one achieved, in turn, became the most essential tools a human being could grasp, employ and, over time, in which he might trade. Where relationships, not laws, are used to define society's boundaries, tribute must be paid. Bribery, extortion and subterfuge have been the inevitable result. What marks the Russian condition in particular is the scale of these activities, which is colossal. Russia, then, is a negotiated culture, the opposite of the openly competitive culture productive markets require.

Ironically, the non-transferability of the votchina system's entitlement was the very flaw a shareholding culture and an equities market could have addressed successfully had Lenin's revolutionary dictum of

"Property to the people! Factories to the workers!" been realized. And such a program existed. It was designed by Larisa Piasheva, a free market Russian economist who was appointed by Moscow mayor Gavriil Popov to design and execute a program for the privatisation of Moscow's assets. Ms. Piasheva's program was a fearless and rapid plunge into the market which would have distributed property widely into Russia's many eager hands. Further, the program – inspired as it was by the policies of Ludwig Erhard and his adviser, the renowned Austrian economist Wilhem Ropke – did not rely upon Western lending but instead tailored itself to maximize direct Western investment.

When the Administration says it had no choice but to rely upon the bad actors it did select for American largesse, Congress should recall Larisa Piasheva. How different today's Russia might have been had only the Bush Administration and the many Western advisers from the IMF, the World Bank, the International Finance Corporation, the European Bank for Reconstruction and Development and the Harvard Institute of International Development then on the ground in Moscow chosen to champion Ms. Piasheva's vision of a rapid disbursement of property to the people rather than to the "golden children" of the Soviet nomenclature. Instead, after robbing the Russian people of the only capital they had to participate in the new market – the nation's household savings – by freeing prices in what was a monopolistic economy and which delivered a 2500% inflation in 1992, America's "brave, young Russian reformers" ginned-up a development theory of "Big Capitalism" based on Karl Marx's mistaken edict that capitalism requires the "primitive accumulation of capital".

Big capitalists would appear instantly, they said, and a broadly-based market economy shortly thereafter if only the pockets of pre-selected members of their own ex-Komsomol circle were properly stuffed. Those who hankered for a public reputation were to secure the government perches from which they would pass state assets to their brethren in the nascent business community, happy in the knowledge that they too would be kicked back a significant cut of the swag.

The US-led West accommodated the reformers' cockeyed theory by designing a rapid and easily manipulated voucher privatisation program that was really only a transfer of title and which was funded with $325 million US taxpayers' dollars.

Voucher privatisation's conceits were compounded by a grievous insult; unregulated voucher investment funds, which the privatisers encouraged the uncertain Russian citizenry to patronize. Hundreds and hundreds of investment funds simply walked with their clients' vouchers, reselling them to domestic criminals, Red Directors, western investment banks and international money launderers.

In other words, the lion's share of Russian money laundering occurs when capital enters the country, and what we see today in the Bank of New York scandal is, in fact, properly understood as capital flight. When the 18 month-long thieves' banquet that voucher privatisation was concluded in July 1994, the program, whose very design left the controlling shareholding of any single enterprise in the hands of the state, had actually institutionalised the state as the determinant owner of all that had formerly belonged to "the people".

Co-temporaneously with voucher privatisation, an early and precipitous Bush Administration initiative was coming to fruition. In early 1992, the "Bankers Forum" project was wheeled into place by a former New York Fed chief, Gerald Corrigan, who at George Bush's direction sent in a group of experts from the Fed, commercial banks and the Volunteer Corps on an off-the-books mission to teach the Russians at the Central Bank the bond game. Moscow-based Dialog Bank's Peter Derby, who explained the project's background remarked, "Basically, when Corrigan asks, I guess no one turns him down, because people reacted instantaneously. It was done by private investors, who were asked by a person you can't say no to" (my emphases).

The improbable yields (290% on 3-month paper at one point) on the Russian market's GKO instruments were paid with US taxpayers' money via IMF loans. Guess where all investment went? By yielding those kind of non-market returns, the bond market insured that all the country's resources and all that it was capable of attracting went to the support of the state, just as Tsarism and Communism had done previously. So lush were the bond market's rewards that dubious market participants included the Russian Central Bank itself through an off-shore firm known as Fimaco. The involvement of the Harvard Institute of International

Development's [HIID] honchos in the same conflict-of-interest activities has already been admitted publicly and remains the object of a Boston Grand Jury's scrutiny. The Harvard Management Corporation[HMC], which invests the university's endowment, was also an avid purchaser of Russian bonds, a dubious and unsettling history since there is no legal separation of HMC and the university itself.

According to the Russian Interior Ministry's Department of Organized Crime, Western employees of Russian banks, Western bankers and consultants, Russian bankers and anecdotal evidence, other likely participants include certain employees of the U.S. Treasury, of the multilateral agencies (most especially the World Bank's Moscow offices), of bilateral aid agencies, and policy and program consultants acting through accounts established in their wives' maiden names with non-U.S. reporting brokerages in Moscow. Even the Ford Foundation's Moscow office sponsored its own internal Russian bond shop for which the unthinking Russian managers once asked this reporter to drum up U.S. Investors.

One particularly striking aspect of Bill Clinton's presidency is how aggressively his administration has worked to capture the political support of the financial sector, offering up heretofore unseen gobs of government favor. [A disproportionate number of firms receiving OPIC (Overseas Private Investment Corporation, a government entity) guarantees, Export-Import bank lending, and IFC (International Finance Corporation, the private lending arm of the World Bank) and Russian Enterprise Fund participation were generous contributors to both Clinton campaign coffers and the DNC.] The basic formula was simple, it's not the rocket science Russia's Harvard advisers intimated it was: The bread and butter of all equity markets are bonds. Wall Street wanted a debt market. You build it and we'll come, they said.

The aid program delivered best it could what was in reality a flimsy contrivance, which – in turn – was really only an exotic venue through which to pass public funds to select Russians of the Clintons' and HIID's choosing and to Wall Street investment banks the Clintons hoped to entice permanently into their orbit of supporters and contributors. In short, the

Russian bond market was the Arkansas Development Finance Authority gone international.

Today the Clinton Administration's chief defence for their hand in Russia's ruin is that somebody had to keep the communists at bay. But there were no communists in Russia by late 1991, only nascent investment bankers looking to nail down a stake any which way. Communism had evaporated by late 1987, the year in which the Russian people were allowed to hold convertible foreign currencies. Overnight, the power of money displaced the power of ideology.

Though some now say the loans-for-shares privatisation program marked the reformers' fall from grace, I beg to differ. On 14 September 1991, Vladimir Shcherbakov, the last First Deputy Prime Minister of the Soviet Union, formed with two other partners, one of which was the now notorious Austrian firm, Nordex GmbH, the International Foundation for Privatisation and Private Investment [FPI]. FPI's charter was legitimised by Gorbachev's signature and approved by 13 heads of what were still constituent republics.

In an interview published in a 1993 issue of VIP, the vanity organ of the commercialised nomenclatura, Shcherbakov reported excellent relations with the new regime of "eager young reformers" – Gaidar, Chubais et al – and their leader, Boris Yeltsin. All hail-fellows-well-met. So too did FPI enjoy similarly sympathetic connections to the EBRD, the IMF and the UN Industrial Development Organization. Shcherbakov even boasted about FPI's "new approach to the problem of the property of the Western Army Groups in Eastern Germany that comes down to its joint exploitation by Russian and German businesses", an eye popping admission since a year after the interview was published, the Russian scandal was Bonn's claim that Soviet weaponry sales to rogue regimes originating in the Western Army Group had amounted to a $4 billion criminal take.

A former employee of FPI, speaking through clenched teeth, reported, "It's [FPI] not a well-known organization, but it's one of the most wealthy and most powerful organizations in Russia," and their work was engineering commission-paying deals for money or privilege with the

Kremlin, thereby organizing a pipeline of tribute typical of corrupt regimes. “I can’t say it publicly, I can’t prove my position with documents, but I know they were privatising companies, the very best companies, before we had a privatisation program.”

The CIA has determined that through Nordex, FPI seized the export earnings from Russia’s natural resource companies – oil, gas, platinum, gold, diamonds – and from industrial firms exporting items such as steel and aluminium and then stashed the hefty profits in Western bank accounts. And only now, eight years almost to the day later, do US taxpayers learn that the “eager, young reformers” to whom their resources were sent for the purpose of building a new Russia were in league from day one with the exhausted Soviet nomenclatura in a scheme to loot Russia’s wealth and park it in the West.

Yegor Gaidar still insists, John Lloyd was good enough to remind us in his recent New York Times Sunday Magazine article, that “he had no choice but to let prices rise to increase supply and to scrap trade barriers so that foreign commodities could begin to fill store shelves.”

Gaidar’s assertion is untenable. The Soviet Union was economically self-sufficient except for bananas, coffee and coconuts. Foreign commodities weren’t required to fill Soviet shops. And even though the rouble was not convertible, that characteristic had nothing to do with the sudden shortages in late autumn 1991, which were only slightly worse than those normally encountered in the last thin years of Gorbachev’s perestroika.

No one had stopped producing, but shops were suddenly nearly empty. Producers had begun hoarding, as had fearful consumers, but why? It wasn’t that Yeltsin announced in November 1991 that the government intended to free prices, it’s that he also announced the exact date on which prices would be freed. Predictably, producers withheld their product from market and rubbed their hands together like flies awaiting the coming feast which Yeltsin’s newly announced policy guaranteed. Within a week of the ill-considered speech, Muscovites’ needs were being rationed. However, Gaidar really was under pressure, but the pressure was coming from the West to open Russia to unrestricted imports in return for multilateral lending. Gaidar soon delivered a trade policy that was 100% back-to-front, accommodating as it did the self-serving demands of both the West and Russia's nascent banking oligarchy; Russian manufacturing was to take the brunt of unrestricted foreign competition, but domestic banking was to be protected from competition! Even Russian Central Bank Chairman Viktor Gerashchenko protested, but the Russian bankers were accommodated and the IMF continued lending. So much for the "leverage" foreign policy elites claim foreign assistance programs provide the U.S.

In 1991, there was no hope whatsoever that wheezebag Soviet industries could compete with Western products. For decades, prices were set by Gosplan (State Ministry of Central Planning), any enterprise profits were claimed as Soviet tax revenues, all customer bases were guaranteed and therefore no enterprise had a financial incentive to compete. Without competition, there was never any need to improve quality.

How could freeing prices alone change this equation? Free prices only work to the benefit of consumers when producers compete with one another in the marketplace to satisfy customers' demands, leaving consumers positioned to reap the most benefit at the lowest price. Clearly, an equitable and transparent privatisation that would have delivered property widely to Russia's many eager hands should have preceded the freeing of prices. And during privatisation, native producers should have enjoyed some protectionism at least, as did developing American industry and manufacture in the 19th century.

Competent advisers would have known Russia never did develop an effective banking sector and system of credit in a 1000 years of her history. The story of Russian banking – ancient and modern – always has the same plot, only the names and the dates change. S.Y. Borovoi's easily obtained history of 18th century banking outlines a typical episode involving a certain "Suterland, who received 2 million pounds for transfer to London, but instead lent the sums to Prince Potyomkin (800,000), Finance Minister Vyazemsky, Foreign Minister Bezborodko and even to the future emperor Pavel. The debt of these honourable people was, according to the custom, forgiven and paid by the state." (My emphasis)

Certainly eager Western banks should have been given admission to Russia. By working initially with more developed and well-capitalized Western banks and later by competing with them, Russian banks could have developed quickly and today be mediating capital responsibly and profitably. No good economic purpose was achieved by foisting subsidized billion dollar loans onto Russia for the purchase of Western consumer goods.

Once the crime of voucher privatisation was fully realized, thereafter ensued a years-long highly-criminal and oftentimes murderous scramble for hands-on control of the enterprises. Directors stashed profits abroad, withheld employees' wages and after cash famine set in, used those wages, confiscated profits and state subsidies to "buy" the workers' shares from them. The really good stuff – oil companies, metals plants, telecoms – was distributed to essentially seven individuals, "the oligarchs", on insider auctions whose results were agreed beforehand. Once effective control was established, directors – uncertain themselves of the durability of their claim to the newly-acquired property – chose to asset strip with impunity instead of developing their new holdings.

Unsurprisingly, the entire jury-rigged effort has collapsed in flames. The bond market has gone bust, Russia is crushed by her IMF loan payments, and OPIC's nearly $2 billion in U.S. taxpayer-provided guarantees are yet to be resolved. The West's best course under whatever new government the Russian people elect is to take its own advice, stop meddling, cease all subsidies and allow what few market mechanisms that do exist in Russia to work. The sooner the banking industry's pylesos ("vacuum cleaners") are allowed to fail, then the sooner the national property can return to market where more able and productive hands might yet grasp it.

Until Russians have resolved for themselves how property is to be held and secured their decision de jure, all the destructive economic arrangements and cultural behaviours crowding Russian history will continue.

Wealth will not be created without private property; without transferable property secured legally to protect no Russian will pay taxes; without revenues no Russian government can endure without falling back upon what is every state's final reserve; coercion. The years-long sugarcoating of what the Clinton administration's policies have wrought in Russia is just one more lie bequeathed Americans. More Western money will only work to insure the continued degradation of Russia, bequeathing her people a future that can be discerned in that most familiar object of Russian folk culture – the Matryoshka nesting doll – a perfect, visual metaphor of Russia's Brechtian universe: Each figure is captive, one inside the other, and in the end the biggest doll consumes the lot.

Turning to the question of the IMF and the World Bank generally and their specific roles in international finance, much needs to be said. When libertarians say that government produces nothing, they make a serious error. Government produces one thing in abundance – our money. U.S. paper fiat dollars have no intrinsic value and circulate only by faith and by edict. Consequently, the dollar in a baby boomer's pocket is worth but the penny that was in his grandfather's purse less than a century ago.

But granddad's penny was one hundredth of a gold-backed dollar's value, while today's dollar is the product of a government-operated pyramid scheme. Once the state slipped the "golden handcuffs" of budgetary discipline through the establishment of the Federal Reserve System, it gained the ability to create unlimited debt, thereby claiming for itself what before had been the purview of tyrants – the ability to debase the currency. It is the slow leaching of value from the U.S. dollar, not the far lesser sums raised by direct taxation, which has enabled the political class to purchase votes for its re-election, creating massive dependencies upon government amongst the citizenry in the process. The end result is the degradation of American society and the citizenry, a situation much remarked upon.

Any pyramid scheme remains viable only so long as its base continues to expand and it is that fact which has driven US foreign policy for much of the past century. Since politicians and investment bankers both have an interest in promoting deficits and in forcing taxpayers to redeem government debt, they were quick to come to terms on the advantages of underwriting foreign debt along with new markets and natural resources from abroad.

Taxpayer-subsidized globalism then is not a new phenomenon, but it has reached an apogee of sorts under the guiding hand of the opportunistic

Clinton Administration. Once the criminal financial flows from Russia and Asia were combined with the easy money common to presidential election cycles and began pumping into the economy in the spring of 1995, it wasn't long before asset inflation hit U.S. corporate share valuations. Throughout 1995 and 1996, the money supply kept rising, and along with it mutual fund holders' paper wealth.

Attracted by the double-digit yields found in risky, unregulated environments abroad, the banks – given the election year liquidity the Fed wished to export – lent unwisely and to excess. The moral hazard the 1995 $40 billion bailout of Mexico unleashed (the debt was refinanced, not repaid, with additional IMF lending and proceeds from eurobond sales in 1996) led to a tripling of international capital flows. Investors took greater and greater risks in the belief that the "new paradigm" economy promised taxpayer-provided redemptions if necessary. The consequence of all those dollars frolicking in exotic locales is a $141 billion bailout for Asia, more than $20 billion for Russia in 1998 alone, and $30 billion for Brazil in 1999.

Cures under discussion all share one quality; each has some aspect that degrades American citizens' independence and prosperity while delivering yet more more to intrude to the political class. It is one more irony of the post-cold war environment that ambitious American policymakers, who were so busy "reforming" Russia in the most appallingly cavalier and self-serving fashion, failed to honour the lesson Russia has to teach, i.e. liberty and empire do not cohabit.

The 1930's were the last era in which the international political and financial elite sought advantage through control of the global economy. What economists call "hot money" raced from one nation to the next throughout that era, leaving a trail of competitive currency devaluations in its wake. Six decades ago, as nation after nation was humbled by and strangled with the manipulations of the financial world's insiders, history saw fit to serve up Adolph Hitler.

A world war and a score of years later, the allies established the IMF as a prophylactic money bag to prevent destabilizing trade imbalances and therefore, they thought, a repetition of the preceding decade's nightmare. Yet over half a century later, the IMF, the World Bank and their similarly US-controlled spawn – the IFC, the six regional development banks and the EBRD – have become 800-pound gorillas of economic distortion and, over time, of pillage which unchecked will guarantee extensive international conflict and a broadly-based anti-Americanism.

During the Cold War, the International Monetary Fund got itself repeatedly into all sorts of financial and ethical mishaps in the West's effort to contain the Soviet empire. But the IMF's excesses were of little concern so long as its financial firepower could be directed at whatever nation appeared on the verge of toppling into the Soviet camp.

No longer serving in an arguably wasteful manner what was nonetheless an agreed national purpose, the IMF has come to function increasingly as the personal gift of the office of the U.S. Treasury courtesy of that office's service to the US presidency. The US-dependent IMF has been well pleased; far easier to serve a single master than answer to a committee of Congressmen such as yourselves.

The ascendancy of Treasury in foreign policy at the State Department's expense is the result of a neo-mercantilist foreign policy in which enterprise is to be subject to direction from the presidential administration it is to serve. By expanding the mandates and accelerating the use of a host of international agencies in which the US is dominant – the IMF, the World Bank, the EBRD, the regional development banks, the IFC – and combining their efforts with those of the Commerce Department, the Export-Import Bank, OPIC and USAID-financed Enterprise Funds, the Clintons succeeded in constructing an international patronage machine in which the American executive stands supreme.

Today the president's men are seeking to institutionalise the socialization of private investors' and global bankers' risks in international markets via a freshly-capitalized IMF.

The price of the US's $3.5 billion contribution to the proposed IMF bailout fund on top of another requested $14.5 billion was said to be insignificant when weighed against the financial calamity of a worldwide recession that IMF ministrations and policing could avert. But how true is this?

Taking the IMF's behaviour in Russia as a guide, the answer is that we can expect a rapid escalation of taxpayers' liabilities in the service of failed policies. After the chaos unleashed by the Fund's initial advocacy of a single rouble zone for the Commonwealth of Independent States, which handed management of the rouble to 12 central banks, the Fund's monetary sages settled down to their more usual business of lending large sums in return for secret, IMF-designed recovery programs always said to be strictly enforced. In Russia's case, only the rhetoric of strict conditions was enforced.

For example, when the IMF touted a 1996 $10.2 billion loan on the basis of what an extraordinary job Russia had done in meeting the conditions of a 1995 $6.7 billion loan, one crucial detail went unmentioned. The $6.7 billion loan was extended without any conditions via the IMF's Systematic Transformation Facility, a program designed to funnel money to Russia in return for "the promise to reform". Also left unsaid was that through the magic of money's fungibility, the $6.7 billion loan financed – almost to the kopeck – Yeltsin's bloody and disastrous assault on Chechnya.

Following the Russian Communists' success in the December 1995 parliamentary elections, the Fund proceeded into even dodgier territory with the 1996 $10.2 billion loan, which came front-loaded with a billion dollars meant for Yeltsin's re-election. Tape recordings of conversations between Mr. Clinton and Mr. Yeltsin made public demonstrate that in return longtime Clinton supporter and campaign donor Tyson Chicken's exports to Russia – a $700 million annual business – were protected from a threatened 20% tariff increase.

Once the first tranche's payout of a billion plus dollars arrived the following May, Yeltsin pulled out all the stops; back wages for state employees and pensions were paid, and after the IMF's billion was consumed, the capricious Siberian ordered his initially mulish Central Bank to hand over a billion more. The IMF said nothing despite claiming the Fund's main achievement during the previous 6 months was legislation establishing the Russian Central Bank as an independent institution. Therefore, the Fund's current denial of any knowledge of the Russian Central Bank's offshore operations through Fimaco is dubious at best.

But weren't Americans told that Russia's financial oligarchy paid for Yeltsin's re-election? To the contrary, Russia's bankers made serious money on Yeltsin's electoral weakness by buying government bonds at distressed prices using cheap money handed over from government deposits. The lion's share of the domestic bonds' high yields have always been paid with IMF loans. Russia's first representative to the World Bank, Leonid Grigoriev, explained, "Of course, the government was to return this money and that is why the yields on 3-month paper reached as much as 290%. The government's paying such huge, impossible rates on treasury bills, well, it's completely unbelievable. It had nothing to do with the market and therefore such yields can only be understood as a payback, just a different method."

Clearly, building an empire of finance capitalism is an expensive business. But who pays? U.S. taxpayers, who paid directly through contributions to both multilateral and bilateral assistance efforts, and Russian workers, who paid indirectly by having their wages go unpaid and their national estate continually degraded. Secondly, the Russian people paid by being denied a means of exchange since the banking and trade sectors of the economy were quick to socialize amongst themselves what few roubles the IMF's tight money policies allowed the Russian Central Bank to print. "The new paradigm" economy concocted by the Harvard-connected Clinton Administration appointees in the U.S. Treasury, was designed to extend the federal government's meddling hand worldwide through its control of the multilateral and bilateral public lenders, enabling government a free ride on the back of a re-structured U.S. economy grown vigorous and ever more innovative on account of the benefits the Reagan era's low taxation, moderate inflation, reduced regulation and expanding world trade had delivered. The overall scheme works as follows:

Sell assistance programs on an alleged "free market" and "humanitarian" basis by awarding government grants to those academics who can be relied upon to supply the intellectual camouflage politicians and journalists then repeat ad nauseum to a distracted public, move the IMF and the World Bank to target, induce target to raise taxes, fine tune target's central banking operations, encourage borrowing and debt creation through the target's government and its national banks, allowing IMF lending to pay yields if necessary; induce target to privatize national property while building a flimsy, artificial "infrastructure" for an equities market good enough to attract high risk foreign investors. Once the target nation's government flounders, step back and watch speculators assert discipline through a run on the target's currency. The subsequent devaluation delivers, in turn, a flood of cheap imports to American manufacturers and producers.

The finishing touch on the swindle is to confiscate more money from G-7 citizens (the lion's share from Americans) to pay for what is said to be an "essential" IMF bailout; thereby allowing Uncle Sam's IMF minions to entrench themselves more deeply in the target's government. Taxes are raised, the population struggles beneath indebtedness, government funding demands and the inevitable domestic inflation a devaluation delivers. Western neo-colonialists then bully the target over its rapidly compounding debt in order to extract yet more property. Once successful, the world's insiders then turn around and deliver cheap shares from privatizations and initial public offerings into the maw of U.S. mutual funds and portfolio investors. US taxpayers get hit coming (foreign aid) and going (bailouts) and innocent foreigners' property is finagled away either from, or on account of, inattentive and corrupt leaderships. The big winners are the world's increasingly corrupt and cozy governing class, international bureaucracies and global banks.

What U.S. policy has wrought across much of the post-cold war landscape is a moral, political and financial abomination based on fraud, theft and deceit. In Russia the results of the Clinton Administration's policies are the perpetuation of the longest depression of the 20th century in what is increasingly an un-policed deadly weapons dump, the biggest swindle of national property since Vladimir Lenin muscled the country early in the century and the discrediting of the ideas of free markets and democracy.

But as the old saying has it, what goes around comes around. Unfortunately, all those dollars the Fed printed to get Bill Clinton re-elected in return for Alan Greenspan's third appointment as central bank chief, are now returning to the United States in the form of manufactured goods and commodities with which U.S. producers can not compete on price.

When exchange rates fluctuate against one another as they do now, some countries will inflate more quickly than other countries. The G-7 are the only nations that try to co-ordinate their monetary policies and the effort usually ends up a failure over time. When one country inflates too quickly, the value of its currency will decline.

Some governments – especially those with an election on the horizon – actually want to devalue since national exporters, their goods now being cheaper, sell more goods. Global lenders like the IMF are also fond of devaluations because a rising national income from bargain exports leaves plenty in the national kitty for principal and interest payments to them. (Global direct investors who stick to the dollar, quasi-"good guys", fear devaluations, because their profits calculated in a devalued domestic currency buy fewer dollars for repatriation.)

But when exchange rates depreciate rapidly the spectre of capital flowing out of a country appears. Foreigners and residents put their savings elsewhere. The currency goes into free fall, its value plummets, more investors flee and at the end of the cycle, interest rates skyrocket. This is exactly what happened in Asia in 1997, in Russia in 1998 and in Brazil in 1999.

Yet to curse the speculators is useless; since the 1972 collapse of Bretton Woods that broke the international link between the dollar and gold, the fear of the syndrome described above is the only remaining bit of discipline in the international system. How much better, the globalists reason, if there were to be one central bank and one fiat currency for everyone so that then national leaderships (and the financial oligarchies they sustain) could inflate and rob their own populations in unison.

In time, U.S. corporate profits will decline as a consequence of the IMF-induced deflation and share prices of all but premiere multinational corporations will follow suit. Alas, those Americans up to their necks in credit card debt may well be the next class of debtors to be rolled, and American farmers are already suffering serious losses from the collapse of farm commodities prices. In time, credit will dry up, government receipts will dwindle, the national debt will skyrocket and unemployment will increase. Eventually the government will inflate its way out of its accumulated debt.

Before concluding my remarks, I would like to recall one curious and mostly un-remarked detail from 1994, that sticks out in this sad story like a boy’s unruly cowlick. In mid-July 1994 – at the very moment dollar-based Mexican tesobonos were being oversold to prosperous clients of Goldman Sachs and other U.S. investment banks, which, in turn, would lead to the 1995 Mexican bailout and the introduction of moral hazard into the world’s financial system – Michel Camdessus told a press conference that he intended to press for the creation of a new IMF facility to give members resources with which to defend themselves against speculative attacks in financial markets.

In other words, long before bailouts of entire countries became routine Camdessus wanted a new loan program to feed the last disciplinarians in the world’s financial system – currency speculators – so that national governments might become even more unaccountable to their citizens. At the time, The Economist slammed the proposal, saying it was “absurd and almost certainly unworkable,” since Camdessus “bizarrely” was assuming the IMF would know more about economic fundamentals than the markets. And that assumption, The Economist noted, was the very assumption which had been the undoing of the USSR’s centrally planned empire. But Camdessus’ 1994 plan is the very one the Clinton Administration implemented and seeks to institutionalise.

So who wags the tail of the money dog? Citizens who labour to create wealth for themselves and their families or folks like IMF chief Michel Camdessus, a French socialist and lifetime bureaucrat, and his deputy, Stanley Fisher, who together are quite possibly the two most incompetent people on the planet? Sadly, it appears a once free people are slowly but surely being enserfed to globalism’s useless hors d’oeuvres eaters and incompetent lenders.

It doesn't take a conspiracy theory to observe that the downward arc of citizens' liberties, independence and civic competence and of American culture generally parallels the declining value of the U.S. dollar, which has lost 99% of its value since the founding of the Fed, and 75% of that debasement has occurred since the last link with gold established by Bretton Woods collapsed in 1971.

From that perspective, it's really not very surprising that at the end of the century, not quite a century after America instituted the Federal Reserve and thereby began the process that would deliver the power of creating unlimited debt to the political class, the White House is occupied by a couple who share not so much a marriage as they do a collection of felonies.

Throughout the 1990's, finance capitalism's shills have been a "new paradigm" economy so glorious one might have thought Beatrice awaited us each and every one at the very lip of Heaven itself. Their brassy tune celebrated the defeat of the business cycle by globalisation, productivity gains and computer technology. Inflation was tamed, the golden horns sounded, and we were to dwell eternally in lush fields of full employment, low interest rates and a booming stock market. And, insiders winked, foreign money once mugged by speculators would have nowhere else to go but directly into Wall Street's money machine.

But what if – instead of Beatrice – what waits over our collective shoulder down Purgatory way is a repeat of the European currency instabilities of the 1930's, which culminated in the most viscous and widely-fought war in world history?

From the perspective of the many millions of her children, Mother Russia in late 1991 was like an old woman, skirts yanked above her waist, who had been abandoned flat on her back at a muddy crossroads, the object of others' scorn, greed and unseemly curiosity. It is the Russian people who kept their wits about them, helped her to her feet, dusted her off, straightened her clothing, righted her head scarf and it is they who can restore her dignity – not Boris Yeltsin, not Anatole Chubais, not Boris Berezovsky nor any of the other aspirants to power. And it is the Russian people – their abilities, efforts and dreams – which comprise the Russian economy, not those of Vladimir Potanin or Viktor Chernomyrdin or Mikhail Khodorkovsky or Vladimir Gusinsky. And that is where we should have placed our bet – on the Russian people – and our stake should have been the decency, the common sense and abilities of our own citizens realized not through multilateral lending but through the use of tax credits for direct investment in the Russian economy and the training of Russian workers on 6-month to one year stints at the U.S. offices of American firms in conjunction with the elimination of U.S. tariffs on Russian goods.

Russia is a fabled land, home to a unique and provocative thousand year-old culture, and a country rich in the resources the world needs whose people had the courage and resilience to defeat this century's greatest war machine, Hitler's invading wehrmacht.

Yet, thanks to Boris Yeltsin's thirst for power and megalomaniacal inadequacy, Russia has become the latest victim of American expediency and of a culturally hollow and economically predatory globalism. Consequently, Americans, who thought their money was helping a stricken land, have been dishonoured; and the Russian people who trusted us are now in debt twice what they were in 1991 and rightly feel themselves betrayed.

The worst of it was that some pretty good ideas – private property, sound money, minimal government, the inviolability of contract and public accountability – that have delivered to the West's citizenry the most prosperity and the most liberty in world history, and might have done the same for the Russians, were twisted into perverse constructions and only then exported via a Harvard-connected cabal of Clinton administration appointees who funded – without competition – their allies at Harvard University courtesy the public purse. Joining the US-directed effort were the usual legions of overpaid IMF/World Bank advisers whose lending terror continues to encircle the globe.

But where, in a land in which today more of the people die each year than are born, lies the gain? History's yardstick will measure out the answer, and I suspect it will not suit us.

The End

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