

has to be characterized as comic, that the “proposals of the LaRouche people would mean a return to Stalin economics for Russia.” The audience seemed less than convinced.

A Euro-train project

At the end of the two days, Dr. Yuri Stjepinsky, director of the RISS, presented a promising proposal. He pointed to the unavoidable reality that fully “60% of Russia’s economic resources are located in defense-related production and research.” To simply let this go in an IMF-style “free market” sell-off would be unrealistic. “No country in the world has the situation where the state simply cuts loose all its military hardware.”

Instead, Stjepinsky proposed transforming these R&D and industrial capacities into rebuilding the infrastructure and economy of Russia and eastern Europe. “Why not develop a ‘Euro-train’ project? Now Russia has a broader-gauge rail

which means inefficient bottlenecks on the borders to the western markets. We must think of developing new types of advanced rail transport which will link us with western Europe, Moscow-to-Paris, and so on. We must shift our gauge to the European standard. We have the ability to build modern rolling stock. Russia can produce modern rail engines. We must also think in terms of building a maglev link between Moscow and the West.”

He also suggested cooperation in the area of telecommunications. “The West to date has sought to allocate to us a very narrow role in providing rocket boosters. But we have, for example, very reliable small-scale nuclear power reactor technology for communications satellites, but the firm producing them is under attack from rival western competitors who lack such capacities. We are willing to share such technologies with western partners, but it must be on a legitimate basis.”

Blast against monetarism in Russia cites LaRouche

On May 7, the Moscow daily *Nezavisimaya Gazeta* carried Prof. Taras Muranivsky’s article, “Reforms and Common Sense,” which exposes the disastrous incompetence of the economic reforms adopted so far in Ukraine and Russia. “Monetarism leads any economy to catastrophe,” he writes. “The alternative is a shift of the economic policy of the state to the principles of physical economy.”

Muranivsky, who was the scientific editor of the Russian edition of Lyndon LaRouche’s book *So, You Wish to Learn All About Economics?* published last year, identifies physical economy with LaRouche. *Nezavisimaya Gazeta* reaches hundreds of thousands of readers.

The article chiefly analyzes the reform program adopted in Ukraine in 1992, but Muranivsky points out that the results there are like what has happened in Russia. In both countries, “there is an unprecedented collapse of production, hyperinflation is raging, unbridled speculation flourishes, while there is a fantastical accumulation of fortunes against the backdrop of, and at the cost of, the abrupt, mass impoverishment of people.”

The reason for the failure of the reforms, the author urges, should be sought in their theoretical basis—monetarism. According to this dogma, “the economy should be tossed into the slough of elemental market forces, and let it wallow there as best it can, while the population keeps tightening their belts until the ‘invisible hand’ straightens everything out. The reigning principle here is a cruel battle for survival—completely in accord with the anti-humanitarian ideology of Adam Smith and his modern successor

Milton Friedman: Whoever is stronger and sneakier will survive at the expense of weaker and honest people. Monetarism underlies both the theory of the ‘free market,’ and Marxist political economy.”

But, “a qualitatively different direction has been developed in economic science and the practice of economic management, which the American economist Lyndon LaRouche has named ‘physical economy.’ Unlike political economy, it is one of the natural sciences. It studies economic and social processes in their harmonic unity with energetic and technological ones. Physical economy rejects the absurd assertion that the state should not interfere in economic processes. The Soviet experience of command economic management, which was negative and contradicted common sense, does not at all mean that the economy needs no management. If a driver breaks the rules of the road and runs his car into a ditch, it doesn’t mean that the car should be sent out on the road without a driver.”

Muranivsky discusses historical examples of state economic regulation that were not like Soviet central planning, such as the successful reconstruction programs in France, Germany, and Japan after World War II. The state properly restrains “immoral free market activities” like speculation and usury. Contrary to this successful experience, “Ukraine’s monetarist program openly states the necessity of ‘using the principles of the International Monetary Fund.’ Is there really insufficient evidence, that the IMF is nothing but a usurer and pillager of the Third World countries?”

To rectify the situation, concludes Muranivsky, Ukraine should begin “not with money, but with the economy,” and use the principles of physical economy to find scientific economic, monetary, legal, and organizational means to revive production.