

## Ukrainians debate program for economic recovery

by Konstantin George

On May 19, the Schiller Institute held its first seminar on the territory of Ukraine, in the city of Lviv. The purpose was to present the reality of the global financial crisis, and the Hamiltonian banking and economic reconstruction policies drafted by Lyndon LaRouche, which are required to revive the ravaged physical economies of nations.

LaRouche is widely known and respected in Ukraine as the author of the book *So, You Wish To Learn About Economics?* At the end of 1993, a Ukrainian translation was published in Lviv, and of the 10,000 copies printed, nearly 8,000 had been sold or distributed by May of this year. A second edition is planned for later this year.

Given the horrendous economic situation in Ukraine, the issue of a reconstruction and development program is seen as an urgent matter by many in the nation's post-independence patriotic elite—those who are at war politically with the corrupt, *nouveau riche* strata of the former ruling nomenklatura. Since independence in 1991, these corrupt strata, working in collaboration with the International Monetary Fund (IMF) and its allies in the Yeltsin regime, under the banner of the “free market,” have plundered and ravaged Ukraine. Its once flourishing and promising productive sector has been driven to the point of nearly total breakdown. Shock therapy has collapsed living standards, and the great majority of the population is living below the poverty line.

The patriotic elite recognizes that an economic policy alternative, both to the old Soviet command system and to the British free market, is indispensable for the survival of Ukraine as an independent nation.

### A unique location

With a population of nearly 1 million, Lviv is the main metropolis of western Ukraine, the center of the Galicia re-

gion, which is known as the “Piedmont” of Ukraine. Italy's Piedmont region was the birthplace of the Italian nation. Lviv and the Galicia region functioned as the motor for the Ukrainian freedom and independence movement throughout the postwar period. In this sense, Lviv has acquired a political importance in some ways exceeding that of Kiev, the capital.

The singular importance of Lviv, however, does not begin with modern times. The origins of the Ukrainian state lie in Kievan Rus, the highly cultured Ukrainian realm which flourished from the start of the second millennium until the early 1200s, with the arrival of the Mongol hordes. During that pre-Mongol period of about 250 years, Kiev had a population exceeded only by that of Paris on the European continent.

In the immediate wake of the Mongol invasions, which thoroughly destroyed Kievan Rus, Lviv was founded, constituting a center of Ukrainian culture outside the zone of destruction and suppression wrought on most of the country by different currents of Eastern barbarism: Mongol-Tatar, and later, Turkish and Muscovite. Alone among the major centers of Ukraine, Lviv had the historical distinction, until the 1939 Hitler-Stalin Pact, of never having been occupied by an eastern empire.

The city is one of Europe's most beautiful, a rare jewel, like Prague or Krakow, in that these two cities were graced with the fortune of having survived World War II intact. Its distinct European character is unique among the large cities of Ukraine.

A deep historical-cultural identification with western Christian civilization has been successfully maintained throughout the centuries. In the 15th century, at the Council of Florence, the Ukrainian Church, in contrast to the Russian, accepted the Union of East and West based on the *Filioque*



*The Schiller Institute's seminar at the Lviv Management Center in Ukraine. At the podium are, from left: host Taras Chornovil, Mikhail Liebig, Lothar Komp, a translator, and Konstantin George.*

doctrine expressed in the Nicene Creed. From that time until about the mid-1600s, the religion of Ukraine was Greek Catholic, codified by the 1596 Union of Brest. At that time, the Ukrainian Greek Catholic Church aligned with Rome, but preserved the traditions of the Byzantine liturgy and rituals.

This western, and at the same time uniquely Ukrainian church, was to play an indispensable role during the long centuries in which no Ukrainian state existed, in preserving the idea of the rebirth of a Ukrainian nation. After the mid-1600s, when most of Ukraine came under direct Russian rule, the Greek Catholic Church was "rolled back" to embrace West Ukraine. West Ukraine was then under Polish rule, and later, from the time of the late 18th century with the partition of Poland till 1918, part of the Austrian Empire. This was the period in which Lviv was known by the German name of Lemberg. From 1918 to 1939, it was again under Polish rule.

Then came the nearly 50-year nightmare of Soviet rule. These dark years produced a modern epic in heroism on the part of a population which refused to submit to evil. During World War II, a mass-based partisan army was formed in the West Ukraine to liberate Ukraine from foreign totalitarian occupation. This army fought simultaneously against both the Nazis, during the German occupation (1941-44), and then against the Bolsheviks. In the postwar period it was to

wage the longest armed struggle against Bolshevism anywhere, fighting a guerrilla war that Moscow finally succeeded in totally suppressing only at the end of the 1950s. Hundreds of thousands of Ukrainians were butchered by Moscow.

Moscow, however, was unable to break the will of the population. During the late 1980s, when the cracks began to appear in the Soviet Empire, the western Ukraine that it thought it had crushed in the 1940s and 1950s, rose again.

### **LaRouche versus Sachs**

The Schiller Institute seminar was held on May 19, at the Lviv Management Center. It was very successful, despite strong counterorganizing by entities and individuals linked to international financier George Soros, who employed the crudest of blackmail tactics. It turned out that on the very same day, Harvard University's flea market economist Jeffrey Sachs was the keynote speaker at an international symposium in Kiev, promoting his and the IMF's shock therapy policies.

The Schiller Institute seminar was attended by 27 people, including journalists, local political personalities, a delegation of eight from the Lviv Political Science Center, and Dymytro Ponomarchuk from Kiev, director of Rukh Press Service, as the representative of the country's single largest

opposition political party. Greetings were sent by several members of Parliament who were unable to attend, as Parliament was in session.

The Schiller Institute delegation included, from Wiesbaden, Germany, Michael Liebig, Lothar Komp, Konstantin George, and Luba George; and from Moscow, Vassili Kolomatsky. The Lviv host was Taras Chornovil.

The presentations were constructed to provide the participants with an in-depth picture of what has happened in the world over the past three decades leading to the present global financial meltdown crisis, and of the policies required to ensure there will be “life”—successful economic reconstruction—after the death of the present financial system.

The keynote presentation by Michael Liebig, “The Political-Economic Crisis in the OECD and Its Effects on the Countries of Eastern Europe,” drove home the point that the nations of eastern Europe are not isolated victims of IMF free trade policies. Their dismal economic predicament is a function of the IMF’s earlier and still ongoing destruction of the physical economies of the OECD advanced sector: “IMF ‘free market’ policies are simply incompatible with economic reconstruction aiming at economic growth in physical-economic terms and rising standards of living. It is an indisputable historical fact that successful market economies have never developed through a free market policy. No national market anywhere could ever be reconstructed and develop under these policies. That holds true not only for ex-communist countries, but equally so for the OECD sector, the Third World, or the newly industrialized states of Southeast Asia. . . . The IMF free market policies have, especially over the past 20 years, led to a massive economic crisis in the western market economies.”

Liebig presented a graphic picture of the international speculative “bubble” about to burst: the ballooning of fictitious financial titles, the continual cannibalization and shrinkage of real economic wealth, juxtaposed to global financial speculation that had reached a daily level of \$420 billion in 1988, and \$1,100 billion by the end of 1993. “By the autumn of 1993,” he said, “the financial aggregate-real economy ‘scissor’ had widened to a degree that the physical economy could no longer sustain the speculative financial bubble. Even the brutal primitive accumulation against industry and infrastructure, usually called ‘asset stripping,’ would no longer suffice to sustain the vast financial structure. The same goes for primitive accumulation against the work force in the form of austerity, i.e., policies of labor and social cost reduction. These policies have led to mass unemployment in the U.S.A. and western Europe. In the European Union alone, real unemployment is estimated in the 25 million range.”

The presentation concluded by presenting the LaRouche-Hamilton model of national banking for productive credit generation with indicative economic planning, which define priority national infrastructure and technology projects:

“The state-controlled National Bank generates, on the basis of the nation’s financial sovereignty, the credit necessary to finance these infrastructure and technology projects. Only these defined projects and nothing else will be financed by the National Bank. The available credits will be long-term and low-interest. . . .

“Direct credit allocation is most appropriate for large-scale infrastructure projects. The second mode of credit allocation has the National Bank providing credits to the private banks and savings and loan institutions. They in turn make it available to private enterprises which are involved in the above-defined infrastructure and technological investment programs. . . . With credit flowing into the private enterprises involved in the defined infrastructure and technology programs, this means that they can pay their work force and hire additional labor. They are in a financial position to buy new capital goods, pay their suppliers, and make profits to be re-invested. Such ‘jump-start’ financing for infrastructure and technology projects effects a general expansion of demand for capital goods and secondarily for consumer goods. National banking implies a ‘two-tier’ credit system with a clear preference for productive, physical economic investment and the soft infrastructure as well as productive, necessary services. The financing of non-productive activities will be expensive, and they are thus discouraged.”

### **The LaRouche Productive Triangle**

The next presentation, by Lothar Komp, was on “Infrastructure, Reconstruction, and Financing in the Post-Command-Administrative System.” Komp outlined Lyndon LaRouche’s concept of a Paris-Berlin-Vienna Productive Triangle, “a European economic miracle as the engine for the world economy.” “The core of this program,” he said, “is investments in infrastructure, especially in the energy and transportation sector, throughout Europe and the former Soviet Union.” The presentation showed how the infrastructure programs would create infrastructural high-technology industry corridors of development, radiating as “spiral arms” out of the Productive Triangle. The meaning of this for Ukraine was obvious, in viewing first the corridor running from Poland, through Lviv, and from there eastwards all the way across Ukraine to Kiev and Kharkov, and then exiting Ukraine into southern Russia; and then a second corridor, also at first through Lviv, but then southeast through Ukraine, embracing the industrial hubs of southern Ukraine (Dniepropetrovsk) and southeast Ukraine (Donetsk basin).

The revolution in transportation was brought home by simply showing a timetable for the magnetically levitated (maglev) train that could be built. The prospect of being able to leave Frankfurt, Germany at 9:15 a.m. and arrive in Lviv at 11:55 a.m., and merely one hour later to be in Kiev, was quite a thrill. At present, going from Germany to Lviv by train takes two nights, and to Kiev, three nights (often very uncomfortable ones, at that).

In questions and statements made afterwards, the Ukrainians present exclaimed that these projects were exactly what Ukraine needed so that it could physically become what it desires to become, namely, an integral part of Europe, not on the basis of paper documents, but physically as much "European" as Paris and Berlin are today.

### The political context

The concluding presentation, by this author, identified the external (both western and Muscovite) and internal forces responsible for having destroyed the economic and social fabric of Ukraine during the past two and a half years. These forces have brought Ukraine to the brink of partition, in which the bulk of the nation would again, in one form or another, become part of a Russian Empire. The acute threat to Ukraine is but one example of the same crisis of national existence faced by nation-states across the globe. I described the unique role of the Schiller Institute internationally in fighting to ensure economic reconstruction after the death of the present financial system, and to ensure the survival and development of a global economy based on sovereign nation-states.

I underscored that the direction that Ukraine takes will be decisive concerning Europe as a whole. A crumbling, decomposing Ukraine would provide the leaders in Moscow, who already operate from "Third Rome," neo-imperial policy axioms, with a temptation to plunge forward to recreate an empire. On the other hand, an economically strong and stable Ukraine would not only serve as a brake on the worst tendencies of Moscow, but would force Russia itself to focus on the real needs of its own physical economy, and begin to think of economic growth not as some boost to imperial expansion, but rather for the development of Russia as a nation state, for the well-being of its people.

Finally, the question was addressed that to implement the LaRouche economic reconstruction policies, a national elite committed to these ideas and policies is indispensable.

Discussions were intense throughout the day, and continued till very late in the evening. A unifying thread in the responses of the participants was that they had come to the conclusion that the radical free market doctrine is no alternative, but an abomination, and were very receptive to the dirigist-capitalist, LaRouche-Hamiltonian banking alternative put forward by the Schiller Institute. Most striking was the receptivity to the method and analysis of LaRouche and the Schiller Institute, as the tools for creating a national elite committed to fighting politically for the implementation of these ideas.

For Ukraine, as for so many other parts of the globe, there is no time to lose. But even under worst case conditions of a near future partition of Ukraine, the experience of the Schiller Institute team in Lviv suggests that the Lviv-centered Ukrainian "Piedmont" will not succumb, but will remain the "motor" for the nation as a whole, not resting until the rebirth of the entire Ukrainian nation has been secured.

---

## Interview: Petro Talanchuk

---

# Europe has a vital interest in ensuring a stable Ukraine

On May 17, the Schiller Institute delegation in Ukraine had the occasion to meet in Kiev with Ukrainian Minister of Education Petro Talanchuk, who is considering becoming a candidate for President in the election which is now set for June 26. Schiller Institute members Michael Liebig, Lothar Komp, and Luba George talked for nearly 90 minutes with Mr. Talanchuk about the horrendous economic crisis sweeping Ukraine, and the economic reconstruction and banking policies based on the ideas of Alexander Hamilton that have been put forward by Lyndon LaRouche.

The extended discussion on the magnitude of the global financial-monetary crisis was useful not least because there is an absence of any reliable information on this matter in Ukraine. Because of this, the normal tendency, as expressed by Talanchuk, is to see Ukraine's woes only in the context of what has happened in the former Soviet Union during the past two or three years, and earlier during the period of Soviet rule.

"It's no secret that Ukraine is in deep decay and economic crisis," he said. "I and others understand that we are undergoing the transformation from one economic system to another and in Ukraine's struggle for independence we are seeing the difficulties that are coming out in response to the different processes. You must understand that Ukraine was a part of the Soviet Union structure in respect to its education, development of technology, and production of parts connected to vital sectors of its industry. Of course, now for us it's not a good situation. The former U.S.S.R. does not need to produce as much steel as before. Its interest in Ukraine's production was from the standpoint of an empire which was not in the interest of Ukraine, so we are in the process of transforming our economy based on Ukraine's interest."

When asked about the singular importance for Ukraine of its military-industrial complex, much of which is high technology and which comprises about one-third of Ukraine's industry, he replied:

"Our military-industrial complex is also large, and it's not hard to imagine the difficulties we have in connection with this. Our main tasks: to convert things in this sector