

A strategy for solving Russia's current political and economic crisis

by Lyndon H. LaRouche, Jr.

In last week's issue, EIR published a report on the June 5-9 visit to Moscow by Lyndon and Helga LaRouche, including the text of a speech by Mr. LaRouche at the Institute of Economics of the Russian Academy of Sciences. Speaking on June 8 at Moscow State University, he went into greater detail about the situation in Russia and the future of Russian-American relations. We publish here excerpts from that speech, with bracketed summaries of topics which were also covered in the Institute of Economics speech. The full text of the speech below was published in the weekly New Federalist of June 26, along with the full question period.

We are in probably the most important years in the history of this planet in the past 500 years. Though most people do not yet appreciate it, the present international financial and monetary system, dominated by a group of private banks, and by the central banks which they control, and the International Monetary Fund, which is a property or joint-stock company of these central banks—that entire system—will be swept away in a short period of time. This will occur either during the remainder of this year, most probably before the end of next year, and it could not possibly exist beyond 1997.

Because of developments which have occurred during the past 30 years, the relationship of the former system of finance capital with agro-industrial development, which dominated the world for a long time, was changed from a symbiotic-parasitical relationship to the economy, to a purely parasitical relationship. In former times, industrial banking would invest in the expansion of production and in trade related to production. About 1964 to 1972, this changed.

Now, to understand the change that occurred then, and what is about to occur, one has to understand modern European and world history of the past 500-odd years, and one has to understand the role of modern European history, or shall we say extended modern European history, as a planetary system today in history as a whole. And the question of what are the underlying conceptions which determine the course of history, comes into question.

I'll refer you to two concepts which are complementary in this connection. At the end of the 18th century, the poet, historian, and playwright Friedrich Schiller was inaugurated

as professor of universal history at the University of Jena. In the course of being inaugurated as the professor of this department at Jena, he gave a series of public lectures, and, quite naturally, one on the subject of universal history itself.

[Schiller said], first of all, that to understand any present event and its importance, one must see the significance of that event in terms of the process of history as a whole. The complementary feature of that is: We can apply that principle to our own lives and our own role, and to the role of institutions with which we are associated, in the sense that we can find the significance of our own acts, by seeing how significant are our choices of actions, or the choices of actions of institutions that we influence, from the standpoint of the process of history in the large.

So, let's look at ourselves in this state. First, what is modern history, the thing that is about to come to a certain phase-change?

[Mr. LaRouche proceeded to analyze human history, and particularly the past 500 years of European history, in this context. If man were merely a higher ape, the human population could not exceed 3 million or so; yet we now number about 5.3 billion. If we used the technology which we had in 1969-70, on a global scale, we could sustain a population of some 25 billion today, at a standard of living comparable to that of the United States at that time.

Prior to the 15th century, at least 95% of every culture lived in slavery, serfdom, or worse. It was the advent of the modern nation-state, with France's King Louis XI in 1461, that created the potential for this miserable existence to be overcome.

But the rise of the nation-state created a mortal threat to the oligarchical rulers. From about 1610 to the present time, there has been a kind of balance between the financial oligarchy, and the social and political forces that represent the nation-state.]

Post-industrial utopianism

In 1962, there was a famous event called the Cuba Missile Crisis. Some of you are old enough to remember. And during that period, Bertrand Russell in London negotiated between the Khrushchov government and the United States govern-

ment. The result of that, was an agreement which is called detente, which is also known as "mutual and assured thermo-nuclear destruction."

Under those conditions of detente, certain forces in the Soviet government, and also in the United States and British government, believed that there was no danger of general war between the superpowers, that only limited wars or surrogate wars were possible. The Vietnam War was the first such surrogate war of that period. It was a war conducted not for winning a war, but for diplomatic negotiation purposes; and the population of Indochina, and the population of the United States, were the victims of that diplomacy. It's what military scientists sometimes call "cabinet warfare," where the diplomats run the war and turn it off and on for diplomatic purposes, which is why many soldiers despise diplomats.

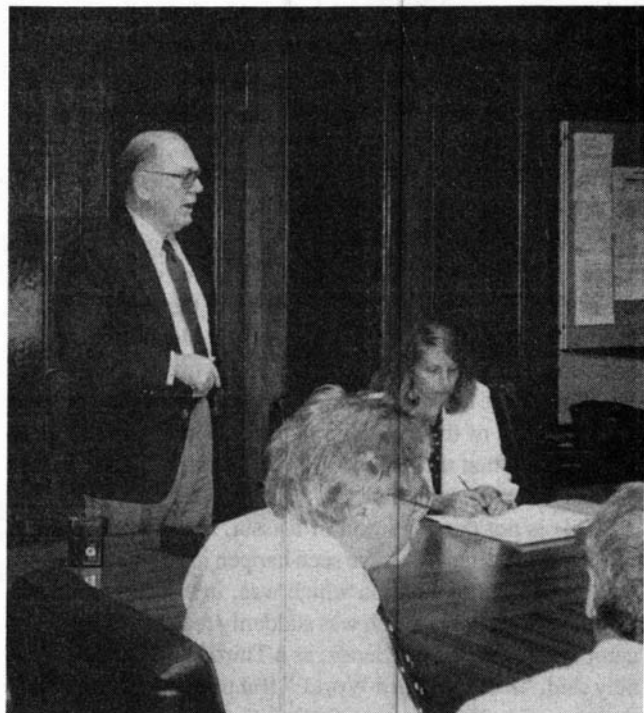
On the basis of that belief, a group in Britain and the United States, became called the "military utopians." This is typified by Robert McNamara and McGeorge Bundy. The policies were those of Bertrand Russell, the man who believed in using detente or similar policies as a way of destroying the nation-state to create world government.

As a result of that, there was a move to destroy technological progress, in the name of what was called "post-industrial utopianism," or "post-industrial society." As a result of that, there was a great cultural paradigm change in Western civilization, during the period 1964 through 1972. First, there was post-industrial society, sometimes called the "Triple Revolution," back in the early days. It was called by Zbigniew Brzezinski in 1967, the "technetronic revolution." In 1969 and 1970, it was called the "ecology movement." It was called "information society." It was called "systems analysis." In the Soviet economy, you got a good dose of the poison of systems analysis from Cambridge by way of Laxenberg, Austria, through a son-in-law of the President here, Kosygin, Dzhermen Gvishiani, and this came from people of this sort. As a result, we had also spread into the Comecon and Soviet system from these sources, the same kind of utopian antitechnology dogma.

The result has been that there was a gradual decline in the rate of investment in scientific and technological progress generally. There was a decline in capital-intensive investment, there was a decline in energy-intensive investment, especially over the course of the 1970s.

As of 1970, as a result of these trends, the United States has been operating at a macroeconomic loss. You can think of it as the surplus value of society as a whole.

If you take the following measurement, you get a much more stark picture of what's happened. First of all, measure all consumption and production in the following units: per capita of labor force, per family household, and per square kilometer of occupied land. Measure consumption of industries, farms, infrastructure, and so forth, in the following units: in terms of essential consumption of physical goods, plus three categories of services, which affect the productivi-



Lyndon LaRouche speaks at the State Duma (Parliament) in Moscow, June 6, 1995. Russia's crisis is part of the systemic crisis of the world financial system, he told his Russian audiences.

ty and the demographic characteristics of the population:

Number one, education. Education is the prime driver of progress in modern society. Universal education, high-quality education, as well as quantity of education, is essential.

Second, health care. The demographic characteristics and longevity and health conditions of the population, are crucial to its productivity and its reproductive power.

And third, the development of science and technology as such.

In those terms of measurement, the average income and productivity of the U.S. labor force since 1967-69, has declined by at least *half*, just as in Russia today, the destruction which has occurred over recent years in the economy since 1989, is greater than the physical losses in wealth which occurred during the Second World War. This is the condition all over the world, greater or lesser. This is the reality of what people describe to me in Russia today. It's the reality of the world. This wealth is not based on real production. It is based on stealing and imagination, and gambling.

So, what kind of system do you have? Now, this has become worse since 1992. What happened, is that the rate of development of speculation in secondary and tertiary casino-type gambling, occurred just like this. The number of bankruptcies, and the amount of derivatives have increased at the same rate. So what we've seen in the past year, is collapse.

Then, think of the biological situation that is comparable

to this: death by cancer. Here's the healthy tissue, the organs of the body. Here's the parasite, sucking the blood from the organ, or from the body. The parasite depends upon profit, on "income streams," they call it. The income stream is ultimately taken out of the society, which takes away flesh and bone from a society which is already shrinking. The more this creature, the parasite, lives, the bigger it gets, *the bigger its appetite for income stream becomes.*

For example, you see this reflected in the prices you pay in Russia for food, or anything else. The bloodsucker sucks here, takes it out of rent, commodities, taxes, everything. You don't have domestic food, you import food at an inflated price because of this financial monster. Thus, you're reaching the point that the patient will die from the cancer, unless the cancer is removed.

This is not the condition of Russia, *this is the condition of the world.* What you have seen happen in Russia, is simply the subjugation of a nation which was, in a sense, militarily defeated by default, which was suddenly reclassified by Margaret Thatcher and her friends, as a Third World nation. And they said, "Join the Third World." But this is not Russia, this is the world. You are just feeling the *effect* of something that's happening on a world scale. You are downgraded from a nation of a world power, to a nation which is feeling the effect of loss of power.

But remember, this is the world, this is the *IMF system* worldwide. What happens when the patient can no longer provide income stream, because he's dying? The cancer, the parasite, will then die.

[There are two phases to the collapse, Mr. LaRouche continued. First is the collapse phase, which we are now in. The second phase will be even worse, comparable to a thermonuclear implosion.

What will governments do? The politicians tell us they can't act, because it is politically impossible to do so. The continued existence of the human race depends upon summoning the political will to solve the problems posed by this crisis.]

Russia's world-historic role

You must see the problem in its true dimensions and implications. To the south and to the east of Russia, are the greatest concentrations of population of the planet: the subcontinent and China. What happens if these countries are left in the ditch of a total collapse, which is already being done to Africa? What is the condition of this world, this planet, if that happens? From a world standpoint, what is the role of Russia geographically and historically, in respect to these two problems?

For 100 years, it has been the natural destiny of the world that Russia should play a key role with nations of Western Europe in developing what were called then *land-bridges* based on railway and other infrastructural development, to

the east and to the south, and to the Pacific Ocean, and to the Indian Ocean, to be the conveyor belt of technological progress and security to these regions of the world.

Russia has a natural, easily determined, historically and geographically determined history. So obviously, what Russia faces is the *hope* that the United States, which is the key government in terms of power in the world today, will act in the proper direction, will act in time, and that Russia as a nation will participate in shaping the decisions which must be made to get the world out of the most dangerous crisis in 500 years. And that is history, real history.

From the previous 550 years, we have to say that this European civilization, from 1461 to 1963, with all its failures and its evils, has been the greatest epic of progress in the entire existence of mankind. We do not junk it. Rather, we look at the *duality* of the system—that the system of universal education, the system of the nation-states and of the individual citizen *participating* in self-government, the responsibility of the state for the development of the opportunities of the individual, the state's responsibility for public health, the promotion of scientific and technological progress, the promotion of opportunities for the individual, that all these were good things, which must be preserved from the ashes of the collapse of this system.

What we merely have to do, is to take the best of what we have had before, and eliminate the parasite, and go back to a system that we had in the United States at the founding of our Federal republic, a system which was once called the "American System of political economy," under which we had a national currency according to our Constitution, created by the Congress, which it was the duty of the government to defend against speculation and waste. This money, once created, should be loaned through low-interest rates, for public infrastructure, and for the promotion of cheap credit to those industries which are most necessary in the national interest.

For example, in the building of a Trans-Siberian development corridor, which would be based on the four-track high-speed railway, or a similar system—which would have associated with it such things as power lines, gas lines, water systems—100 kilometers, 50 kilometers on each side of the artery, you would have a rich economic development zone, in which the highest efficiencies could be achieved. And the same thing with arteries down to the Indian Ocean. Then you have the Silk Road, the northern one, coming up from China, through Kazakhstan, to the Trans-Siberian route; one of the great development zones of the entire planet.

These projects, their success, are of *fundamental international interest.* There must be international cooperation in financing the construction and development of such projects, not only there, but other, similar kinds of projects in other parts of the world. In that way, we can activate the potential of labor force, technology and industry, and revive this plan-

et, and put this mess behind us, and create a condition in which we do *not* have, as I was told today, last year, one million more deaths than births in Russia, because people will then have something to promise their children. Who wants to have children today? What can they promise them?

Questions and answers

The following are excerpts from the discussion period that followed Mr. LaRouche's speech.

Q: Tell us, please, what is the worst-case scenario for this collapse?

LaRouche: The worst-case scenario is it happens soon, within a few weeks. Our greatest problem is a political one.

Q: We may die before others. Tell us concretely, what does this mean for the collapse of the population in Russia?

LaRouche: What this means, as I warned, and had my friends warn, the presidency of the United States in the summer and September of 1993, of a breakdown crisis about to develop in Russia, and that the United States government must change its policy toward Russia, to avert the kind of crisis that I was told and believed was coming.

Those of us who warned of that then, especially my friends, on my behalf, were told "no, most of the experts disagree with you. Everything is fine in Russia. There will be no crisis. The reform and democracy are working perfectly." The U.S. Embassy in Moscow said everything is fine.

Then, after October 1993, they said to me, "You were right, and we were wrong." *I hope this time they listen. I think they will.*

The United States government controls the circumstances, politically and otherwise, under which the Russian government lives. I would hope, at this point, that I would be able to persuade the relevant people in government what must be done. We must provide something which prevents a crisis which I see building up in Russia at an uncalculable rate, but a high rate.

The United States has the power to ameliorate the conditions under which Russia functions. You can never predict what governments will do, exactly, because they always compromise. But if you can get them to move in a certain direction, I know this situation here can be improved, in terms of tempo. All it takes is the right word from the United States, and conditions can be improved here. Not by the United States, but by Russians. Russians have to have some leg-room to do some things.

The point is, to buy time so that Russia and nations in kindred conditions, *survive* until the point that we make a change in the monetary system. And all it would take would

be adjustments, to give Russia time to survive. I don't see any other alternative, except violent ones.

Q: I have the following impression, that Russia does not just need imported goods, in fact, in many areas, our science and technology was the more advanced. How could this system be done in such a way that the investments could go into the Russian scientific and technological development, not just hauling in Western technology?

LaRouche: If I were the President of the United States or his representative, I would say the following to Russia, on that question. I would say: We must stop the bleeding of Russia's military-scientific industrial sectors.

You do not take down the old state military sector. Don't take it down. If you don't need military goods, we'll go to space work. We'll even create a joint company to keep the space work going. We say: "All right, instead of taking your system down, take teams of scientists and engineers who are attached to the system, to create separate companies."

For example, you have two choices in addition to high-speed rails for the long stretches across Siberia. One is magnetic levitation systems, as a conveyor for goods, at speeds up to 500 kilometers an hour. If I were going to move only a few vehicles a month across that area, I would say we might also use a ground-effects vehicle, which could also be very efficient. But if I'm going to create a *conveyor belt* to develop the economy of the whole region, now you have rails going through eastern Europe and Russia and east. You have long stretches where there is nothing except forest, or something similar.

I say this to illustrate the technological problems we face, in developing a project of this type. These problems involve many challenges which are the most advanced engineering and some scientific discovery work, which represent the same degree of technological challenge as the former Soviet military development, and the space development.

We must build up in Russia a very much larger machine-tool capability than you had under the Soviet Union, because the Soviet system never had the machine-tool penetration of the civilian sector, that it had of the military sector. So we want to create, in this vast area, the most modern technological industries, which means that, in this area, Russia would be producing, as a byproduct of the development project, some of the most modern high-technology industries of the world, which would have an export potential. That's what I mean by a *rational* approach to this problem.

Q: Doesn't it seem to you, and this opinion is quite widespread here, that the world government actually desires the extinction of the population of Russia, in order the better to pump out its raw-material resources, and in that case, wouldn't you see the desire of foreign governments and so forth to invest in these kinds of projects, as motivated by a

desire to loot, to get more of the natural resources out?

LaRouche: No, not exactly. The answer is this. Before 1988, many of us knew that the Soviet system was going to collapse. We had two policies on this. My policy and the policy of some other people was the following. On Oct. 12, 1988, I made a speech in Berlin, which was then broadcast on U.S. TV nationally. In that, I said: yes, the industries of the Comecon sector are obsolete generally. But they must not be shut down. They must be used for infrastructure projects. Let's use up the old machine tools and introduce new machine tools which we pay for out of the use of the old.

Margaret Thatcher said: "No!" She raised the geopolitical argument, in which she was supported by George Bush. They said, "We are now going to destroy Russia for once and for all. We will do it with reform." And that's what has happened. That's not the interests of governments, that's the interests of certain international financier circles. We still have some of those scoundrels in the United States. I think we'll send them into retirement in the next election next year.

The success of Russia in the way I indicated, *is in the vital historic interest of the United States*. Anyone who tries to prevent that development, I will treat as an enemy of the vital interests of the United States.

Q: What's your personal view: if the left forces come to power here, who all maintain that they're for a diverse economy, not for a return to the communist system, do you think there could be an intervention by force in response from the West?

LaRouche: If George Bush were President of the United States, and people like Margaret Thatcher were in power in Britain, I would not exclude that possibility; and I do not doubt that there are certain people in high places in Russia, who thought the same thing, who have the same estimation as I.

Q: It's really a matter of indifference whether the United States or Russia would go out of existence as a state first. Insofar as the anti-ballistic missile system of Russia is more developed than that of the United States, it would prevent forcible interference by the United States anyway.

LaRouche: On the question of defense systems, I happen to be an expert in that area.

Let me say that the conflict between the Soviet Union and the United States in the postwar period, was a British creation. *There is no fundamental national conflict of interest between America and Russia*.

However, these systems are still useful, because there are dangers in the world still.

Q: I've been a student and a graduate student here, and I'm now a philosophy teacher, and I would like to say that this is the best lecture I have ever heard, including the speech of your President here.

Book Reviews

Satan's children declare war on the nation-state

by Mark Burdman

Saturn's Children: How the State Devours Liberty, Prosperity and Virtue

by Alan Duncan and Dominic Hobson
Sinclair-Stevenson, London, 1995
448 pages, hardbound, £16.99

In a case of great art being coopted for purely evil purposes, this book takes its title from the famous painting by Francisco Goya, "Saturn Devouring One of His Children." A reproduction of that painting appears on the book's cover. Whatever Goya might have been seeking to convey with this powerful visual metaphor, and this remains an enigma to the present day, the great Spanish painter must be turning in his grave to see his genius so abused. The image is utilized, by authors Duncan and Hobson, to convey the image of "the State" as "Saturn," voraciously devouring everything in sight.

On reading this book, one is tempted to pray that some deity would come along and swallow up our two authors, before they have their next chance to inflict their writings on the public.

Saturn's Children is an eruption from that pit in Hell which is reserved for what has come to be known as "Thatcherism," or, more properly, the Conservative Revolution. Duncan and Hobson are the self-avowed followers of the British philosophical-radical evil of David Hume and John Stuart Mill, as well as of American pseudo-Catholic gnostic Michael Novak, and of the late Friedrich von Hayek of Austria. The last was the founder and guru of the chief organ of the Conservative Revolution, the Mont Pelerin Society. The book is now being touted by spokesmen for the Mont Pelerin Society in Britain, and is billed in such circles, in conjunction with the ramblings of Speaker of the U.S. House of Representatives Newt Gingrich (R-Ga.) and his ilk, as a significant contribution to the Mont Pelerin Society's ideological offensive for the mid-1990s. Duncan is himself a Conservative Party member of the British Parliament, and is known in