

In conclusion, I would like to say that the trouble with the situation we are in, is that—although this may have been appropriate, at a certain stage of things—our education in economics overrated the physical, material approach, so that we did not create an adequate cadre of specialists in credit and finance. Today, the young generation scores high marks for individual financial business operations, but is very weak, when it comes to the financial operations of the state. If we had a general education program in this respect, which would avoid any extreme approaches, I think it would be possible to talk about creating a new banking system, as well as the Russian ruble's entry into the international community of currencies. Thank you for your attention.

Abalkin: Thank you. I give the floor to Mr. Tennenbaum. Mr. Pavlov will be next.

Jonathan Tennenbaum

Dr. Jonathan Tennenbaum of the Schiller Institute is the author of numerous elaborations of large-scale infrastructural development programs, including the "European Productive Triangle" proposal in 1990 and the Eurasian land-bridge concept. He is the director of the Fusion Energy Forum in Germany. Portions in brackets were in the written text of his speech, but were not delivered orally.

Thank you very much.

Over the last 12 months, a number of institutions and organizations in Russia have put forward programs for "anti-crisis measures," to save Russia from the catastrophe which has resulted from the so-called reform policies, promoted and enforced by the International Monetary Fund (IMF). I do not want to talk here about the specific features of the various "anti-crisis" programs; I think, however, that there is a clear tendency emerging, in the direction of a conception of national-economic recovery of Russia, which would include the following ideas:

1. The process of collapse of agriculture and industrial production, physical infrastructure, public health and education, and the loss of in-depth scientific and technological potentials, must be reversed, *immediately*, through dirigistic actions by the state. This *must* be done, because if it is not done, then the continuation of the collapse process will mean the irreversible loss of Russia's sovereignty, national security, and even its physical basis of existence.

2. Russia's history and culture have unique features, which obviously must be taken into account in designing any effective policy for overcoming the present crisis. On the other hand, the kinds of measures which the Russian government take today, in order to restore production and rebuild the economy, do not require the invention of something fundamentally new. The history of industrial nation-states, such as France, Germany, and the United States, provides many

relevant points of reference. These include, for example, the "dirigistic" methods employed by President Franklin Roosevelt, to end the "Great Depression" of the 1930s in the United States, as well as the policies which guided the successful postwar reconstruction of France (under de Gaulle), Germany, and Japan.

3. In this context it is crucial to emphasize, that the rise of those nations to industrial power, and their recovery after wars and depressions, were always based on policies of "national economy," directly opposed to the monetarism and globalist "free market" and "free trade" dogmas preached by the IMF today. Those policies, associated historically with the names of Leibniz, Alexander Hamilton, Friedrich List, and Henry Carey, as well as Dmitri Mendeleev and Sergei Witte in Russia, emphasize the crucial role of the state, in

i) regulating the essential monetary and credit functions of the economy, including ensuring sufficient flows of credit for expansion of the productive base of the economy (the latter being most effectively accomplished by "Hamiltonian" methods of credit generation by national banks);

ii) providing measures of protection, price regulation (parity prices) and tax structure, which ensure an all-sided development of the nation's productive powers;

iii) maintaining and developing basic physical infrastructure (transport, energy, water, communications), by means including state financing of large-scale infrastructure projects;

iv) providing for universal education of the young, and for essential sanitation and health care services;

v) promoting rapid scientific and technological progress.

These principles of national economy provide the basis for defining the kinds of measures required, short- and medium-term measures, needed to reverse the collapse of Russia's physical economy in the present, concrete situation. This is exactly what is done in several of the "anti-crisis" programs I have seen, which rightly emphasize such measures as: (i) Re-establishing control over the financial system and the main direction of investment flows [(including stopping capital flight and crushing the uncontrolled criminal element)]. (ii) Protectionist measures and price regulation, to stimulate domestic production and consumption of the most essential agricultural and industrial goods. (iii) Large-scale government investments in modernization of infrastructure, industry and agriculture. [(iv) Increasing the purchasing-power of the poorer majority of the population, while taxing excessive, speculative incomes and certain categories of exports,] and so on.

Two possible outcomes

Now, I think there is no doubt, that the kinds of national-economic measures, which I have just sketched, are absolutely *necessary* for a successful economic recovery of the country. However (and this is the main point I wish to make today), national economic methods by themselves are not *sufficient* in the present context. In fact, as far as I have seen,

the proposals for “anti-crisis measures,” [which have been published by various institutions and organizations in Russia during the recent period,] fail to adequately take account of the relationship between events in Russia, and the processes occurring within the world as a whole. This point has already been addressed by Mr. LaRouche, but it is of such importance, that I shall try to summarize it in the most condensed possible form.

The present period of crisis has two possible outcomes.

In the first case, assume that no effective action is taken, by the United States and some combination of nations, to



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—Jonathan Tennenbaum

reorganize the world monetary and financial system. This situation would inevitably lead, after a (probably very short) period of accelerated, “hyper-looting” of the world's population and physical economy, to a final, chaotic disintegration of the entire world financial system. Let us call this alternative “Condition A.”

In the second case, let us suppose that, as the outcome of negotiations between the governments of the United States, Russia, China, and other nations, a reorganization of the world financial system, along the lines defined by Mr. LaRouche, is carried out in the immediate future, and that gigantic bubble of financial securities, not backed up by real values, will come to an end. This will create a qualitatively new situation in the world. Let us call that “Condition B.” My essential assertion is the following:

Under “Condition A,” any attempt to carry out a national-economic recovery in Russia is *doomed to fail*. Russia will be destroyed, along with virtually every other nation on the face of the Earth.

On the other hand, if Russia were to take part in bringing about “Condition B,” then a well-designed mobilization for

national-economic recovery in Russia would *not only succeed*, but would produce a far better result, than could be hoped for under any other conceivable condition.

In other words, the decisive factor [or “boundary condition”] determining the outcome of a national-economic recovery program in Russia, is Russia's contribution to a successful reorganization of the world financial and monetary system as a whole.

In this connection, the following remarks are relevant:

1. The economic disaster brought on by the liberal reforms in Russia, is by no means an internal failure of Russia. Rather, the process of looting and collapse of the Russian economy is an integral part of the collapse dynamic of the world financial system as a whole.

2. This looting of Russia is not something imposed *only* from the outside. If we examine the origin of the legal, quasi-legal, and criminal networks involved in such things as capital flight, dollarization, looting and smuggling of raw materials and other products, the speculative asset-stripping of companies in connection with “privatization,” and so on—then we inevitably discover, at the top level, an intimate relationship between portions of the *Nomenklatura* of the Soviet period, and high-level circles of Anglo-American finance, which can be traced back much, much further than the beginning of “*perestroika*.” It is relevant, in this context, to mention such names as Armand Hammer, [Robert Maxwell,] and Marc Rich, for example.

3. Thus, the so-called mafiazation or criminalization of the Russian economy is a process going (primarily) from the top down, from the global to the national scale, and not from the bottom up. There should therefore be no illusion about the fact, that to break the power of the criminal mafias in Russia—a step which is a precondition for carrying out a national economic recovery—means that you are in reality confronting a *global power*, namely the power of the London-centered financial system itself.

4. At the same time, the continuation of the cancerous process within the financial system, as described by LaRouche, will “drive” further, rapid escalation of the pressures placed on the Russian economy—pressures which are “leveraged” through Russia's growing dependence on massive imports of food and other products, its dependence on exporting raw materials to the world market, and the demands of the domestic “mafia” structures whose activities are interconnected with the speculative bubble in the world economy as a whole. Furthermore, not only the IMF, as is obvious today, but the entire apparatus of the United Nations has been transformed into a police apparatus for managing a genocidal, “hyper-looting” process against the physical economies of Russia and every other of the world's nations. Under these conditions, the possibility of a national-economic recovery of Russia is zero.

[5. A final, uncontrolled collapse of the world financial system, which is inevitable under “Condition A,” would by

itself not produce an improvement in the situation; at that point, unless governments would succeed, by immediate, emergency actions, to install a new financial and monetary system, the world would be plunged into a chaotic “dark age” characterized by the total breakdown of trade and essential economic functions, the explosion of every type of regional and ethnic conflicts, famine and epidemics. Russia, and most other nations, would quickly cease to exist.]

Prospects under a new financial system

Let us now consider the more pleasant case, where a reorganization of the world financial and monetary system is carried out by agreement between a combination of powers, including the United States, Russia, and possibly China, and others. In the language of Riemannian physics, the transformation from “A” to “B” defines a *phase change* for the world as a whole, as well as—implicitly—a change in every process occurring anywhere in the world. It will define the strategic, political and economic geometry of the twenty-first century.

That is the most important point. In my paper, I present some ideas about the recovery of the Russian economy, in the “B” geometry. This entails new infrastructure programs, the Eurasian land-bridge connecting Russia with South and East Asia. I also develop the role of high technology, space exploration, and so forth. These points are already there in LaRouche’s “Memorandum on Prospects for Russian Economic Recovery.”

[The creation of such favorable “boundary conditions” for a national economic recovery of Russia, have important strategic implications for the optimal form of the recovery program itself. For time reasons I must limit myself to a few summary indications. Let us first look for a minute into the future of a world economy expanding rapidly under the regime of a new financial system. Here, the key feature of the new financial and monetary system, is to remove the cancerous burden of unpayable debt and speculation, to provide—through the credit-generating mechanism of “Hamiltonian national banking”—large volumes of long-term, low-interest credit for all categories of infrastructure, agro-industrial and high-technology development.

1. Russia has a unique economical-geographical position, as the bridge between Europe and Asia. In the early twenty-first century, the “center of gravity” of the world economy—the region of greatest and most intense economic activity—will be located in Southern and Eastern Asia, on the Pacific and Indian Ocean basins, where China and India together constitute over 2 billion persons. The result from the development of those nations and the adjacent regions in the early twenty-first century cannot be maintained without the large-scale use of “space-age technologies”—including controlled nuclear fusion, laser and particle beam technology, superconducting technologies and revolutionary biophysical methods of agriculture and medicine. On the other hand, those same nations are characterized today by an extremely low average level of

education and of technology. For example, although China made a notable contribution to the development of technology in earlier periods, China played essentially no role at all in the explosion of modern science, which followed the fifteenth-century Golden Renaissance in Europe. Russia, on the other hand, in spite of terrible problems and initial disadvantages, has had a rather rich experience of scientific and technological development, stretching from the period of Leibniz’s collaboration with Peter the Great, up to the point of becoming a scientific and technological superpower in the postwar period. Looking at Russia from the standpoint of China’s most urgent economic and cultural requirements, we recognize, that Russia is destined to function—as it did for a brief period in the 1950s—as a chief transmitter of science and technology to China. Similar considerations hold for India and Russia’s other neighbors to the south. Concretely, this would translate into a huge market for high-technology capital-goods exports from Russia (as well as from western and central Europe, via Russia), into southern and eastern Asia.

2. The developments indicated above, lead inevitably to a rapidly increasing role of the land transport routes linking Asia and Europe—the so-called “Eurasian Bridges,” which include the Northern Route provided by the Trans-Siberian railroad; and the “Second Bridge,” whose final link was completed about five years ago, running from the eastern coast of China, through Sinkiang and Kazakhstan, and then northward through Moscow to the Atlantic coast of Europe. Actually, we are talking about the evolution of an entire Eurasian railroad network, including also a southern network linking Southeast Asia to India, Pakistan, Afghanistan, the Central Asian republics, Iran and Iraq, and running through the Near East into Africa and through the Balkan States into Central Europe.

3. The positive economic impact of such a Eurasian railroad system can be multiplied many times over, if we transform the regions along the railroads into what we have called “infrastructure development corridors.” This means building up, within the strip of land located 50-70 kilometers on either side of the main rail lines, systems for modern transport, energy, water, and communication, new, modern urban population centers and agro-industrial complexes. Here, the most advanced technologies must be used: nuclear energy (fission, later fusion), use of hydrogen and other synthetic fuels, magnetic levitation transport systems, etc. Under such conditions, development of the system of Eurasian “infrastructure corridors,” with its branches and “capillaries,” becomes the most efficient single means for transmission of science and technology to the under-developed areas of Eurasia—including parts of Siberia itself. For reasons connected with the so-called “density functions” of Physical Economy, the increase of density of population and economic activity within such “corridors” leads to an increase in the physical efficiency of the economic process itself.

4. This type of “dense corridor” development is also uniquely suited to the special requirements of Russia’s own

economic reconstruction. Here a great problem is posed by the low population densities and extremely long transport distances, especially in the Asia part of Russia. On the one hand, Russia urgently requires a thorough modernization of its basic infrastructure. On the other hand, the efficiency of basic infrastructure investments (including transport, energy, water, communications as well as health and educational infrastructure) increases rapidly with the increase in the density of population and economic activity. Thus, the use of large-scale, state-financed infrastructure projects to revive the Russian economy, should emphasize the Eurasian development corridors, which, at the same time, will play a great role in the growth of capital-goods exports to the Southern and East Asian countries.

5. "Infrastructure corridor" development of this type also provides optimum conditions for the conversion of military industries, on the basis of long-term contracts for supply of essential equipment and new technology.

6. Besides large projects for modernization of infrastructure (including housing), the second, most essential element which must be included, is an expansion of the manned space effort, beyond even the dimensions of the former Soviet period. The central focus of this must be a long-term program, in cooperation with the United States and other countries, to establish a permanent "science city" on the surface of Mars, within the next forty years. This is not an extravagant luxury, but a matter of survival for Russia and the human race as a whole. As a result of the combined effects of anti-science, environmentalist and "post-industrial" policies, and the collapse of real investment into high-quality education and research, we have created a situation in which most of the world's remaining scientists are either not working at all, or are spending most of their time doing computer simulations. If we continue this much longer, then we will soon find that we have lost our scientific capability, because our scientists have gone insane. To relaunch fundamental scientific and technological progress, and restore the vitality of human civilization, we must take people away from their computer screens and put them back into the laboratories and projects, to uncover the anomalies of the real universe. A large, manned space program is today actually the cheapest, most effective means to generate the high rate of breakthroughs in science and technology, upon which any healthy economy must be based.]

Abalkin: I give the floor to Valentin Pavlov, whose titles I mentioned earlier. Professor Muranivsky will be next.

Valentin Pavlov

Valentin Pavlov is the former finance minister of the U.S.S.R. (1989-91) and former prime minister (1991).

I shall give my views of the question under discussion,

and I excuse myself in advance, if they do not coincide with everything that has been presented here today.

First of all, it seems to me unquestionably the case, that Mr. LaRouche is proceeding from the current situation in the development of the global economy as a single whole. I am very impressed by his approach, of viewing the problems of individual countries as parts of a general problem. I personally agree with him, that in the framework of the overall maturing of the crisis, the manifestations of that crisis can be artificially directed, if you will, along meridians or parallels, into individual countries, by specific means.



The entire system existing today, has been, to a significant extent, imposed on Russia—and it was imposed

with the aid of television. I think that posing such questions for discussion at this round table on economic policy, is one of the ways of breaking through that black box.—Valentin Pavlov

In a given instance, what Mrs. Carrasco presented about Mexico, concerns Mexico; what is happening in Russia, concerns Russia. But these are, essentially, manifestations of a general crisis situation, in the framework of which—I would put it this way—the main orchestrators, who are upholding, so to speak, their own vision of the problem and their own outlook for the future, are able to derive proofs of the effectiveness of the system existing today, by pointing to the achievement of a high standard of living—while real productive forces are in decline—in the United States and some other countries. In this case, the crisis is like a chemical solution, the concentration of which is simply approaching the critical point. That is what happened in Mexico, and we are witnessing the development of this situation in Russia.

I would view this idea of Mr. LaRouche's, today, as an early warning system for global economic crisis; because it may be possible to shift the crisis in the direction of Mexico today, Russia tomorrow, China the day after tomorrow, but the lawful nature of the process, as such, still comes to its end.