

Russian Economist: We Would Support A U.S. Return to FDR's Policies

Russian economist Stanislav Menshikov was a guest on "The LaRouche Show," an Internet radio program, April 7, interviewed by Harley Schlanger, the Western States spokesman for Lyndon LaRouche. This is an abridged transcript of the interview.

Schlanger: . . . Today, we're going to look at the broader strategic and economic issues involving Russia and the United States. We are honored to have as our guest, Dr. Stanislav Menshikov, an economist and professor. Dr. Menshikov is a member of the prestigious Russian Academy of Sciences, and has been a participant in a series of seminars sponsored by *Executive Intelligence Review* in Berlin, engaging in an ongoing dialogue with Mr. LaRouche.

Dr. Menshikov has done extensive studies of the U.S. economy, having written several books on the subject. His most recent book, *The Anatomy of Russian Capitalism*, has just been released in English translation, published by *Executive Intelligence Review*, and we'll tell you later in the show, how you can get a copy of this book.

Also joining in our discussion will be our panel of members of the LaRouche Youth Movement. Today's panel will include Stephanie Nelson, Alicia Cerritani, and Anna Shavin.

I'd like to begin by taking up some of the broad topics you address in your book, which I've been reading and find most interesting. Most important for our policy concern is the present state of the Russian economy, which has been negatively affected by the adoption of neo-liberal economic policies in post-Soviet Russia. You write that the dominance of neo-liberalism in the West, especially due to the Thatcher/Reagan anti-state revolution, has shaped Russian policy after 1990; and neo-liberalism as a form of globalization, in which the role of the state is minimized through free trade, privatization, and deregulation, has had an impact. In fact, in Russia, it's favored the emergence of a financial oligarchy associated with the collaborator of our former Vice President Al Gore, Viktor Chernomyrdin.

So, my first question for you is: What has been the effect of the so-called neo-liberal structural reforms on the Russian economy? And has this changed at all in the recent period under President Putin?

Menshikov: Well, the main effect was that we have a very highly concentrated oligarchic capitalist system in our coun-

try. And you in the United States, you know, have a lot of big corporations, but the amount of power that the Russian big corporations have is much larger than in the United States. Practically every branch of industry in Russia is cartelized, and this brings up prices very high. Prices in Russia, now, for the consumer, are on the level of the United States' prices—which is not so bad, you may think. But actually, they are very high, as far as most of the population is concerned, because the average wage in Russia is only \$300 per month. And with American prices, those Russian wages are far too low. That's one of the main results of the oligarchic system in Russia.

Schlanger: Has this changed at all in the last. . . ?

Menshikov: Yes, Mr. Putin, who is our President, tried to change this system. He's been trying to cut the power of the oligarchies, but he's not doing that too forcefully, and I would say, basically, the oligarchic system still remains. He is, though, trying to increase the average incomes of the people, and that's a good thing. He's trying to increase the pensions. He's also trying to bring in more state power, in the sense that he's trying to make the state invest in those areas where private capital does not invest, because they think the profit level is too low.

So, he's really making certain changes, but I would say that these changes are not forceful enough, and he's not going at the right speed.

The problem now is, the Russian economy, if you look at it statistically, is moving fairly fast. I mean, it's increasing at about 6% every year. But it can't go ahead at that rate, if it keeps from investing capital in most of the civilian area of industry.

Schlanger: As you know, many of the economists, the neo-liberal economists in the United States, are banging the drums to warn that Mr. Putin's measures, including an increasing state role, is a return to the days of state central planning. How would you answer those economists?

Menshikov: No, I would say that that's rubbish, because of course, most—you see, 70%—of all enterprises in Russia are private now. And what he brings in, is just on a small scale. For example, he nationalized one of the oil companies, but that brought the role of the state up to about 20% only; 80% is in private hands, and the industry is as cartelized as any others.



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Prof. Stanislav Menshikov, a leading Russian economist, author, and member of the Russian Academy of Sciences, appeared on The LaRouche Show April 7.

It is true that the gas industry is mostly government, but again, that is not unusual in Europe.

Schlanger: There's also been a series of articles accusing Mr. Putin of moving away from democracy, by moving against the financial oligarchy you've described. Again, how do you view that, the moves against Khodorkovsky, Beresovsky, and others?

Menshikov: Well, Khodorkovsky—I would say that he's like one of those people who went to prison in the United States for fraud. So I wouldn't talk about him so much in defense of his actions. He's really a kind of a robber baron of the olden days, so what Putin did to Khodorkovsky I don't think is too bad. I think he's in the right place, now—I mean, Khodorkovsky, in prison. . . .

Schlanger: Now, one of the other paradoxes you wrote about in the book, that emerged under the so-called free-market conditions, is that the effort to maximize profit has led to a drastic reduction of investment capital into the technological development in industry. We've seen the same process of deindustrialization in the United States. But I'd like to get your thoughts on what is the effect of this process in Russia,

both in terms of the ability to bring new technologies online, and then secondly, the effect on wages and living standards.

Menshikov: The effect on wages and living standards is, as I mentioned, very high prices, due to over-cartelization and over-concentration of economic power, business power. And the effect on technical progress has been stagnation. Russia has not created one single new product in the last 20, no, 15 years, say. Any new products that appear on the market are imported, or just a slight improvement over what we had before.

Schlanger: So, there's little investment, even from the state, in the development of new industries, or bringing research and development. . . ?

Menshikov: No, the state has not been developing into that either. The state has been given some money for basic science, but in the previous neo-liberal years of Yeltsin, and up till now, there's been precious little investment going into technical progress that goes to the people, that goes into the industry, into new products, into new technologies. And I would say that really, the amount of investment in new technologies is very low.

Schlanger: Now, I'd like to move on a little bit more in this discussion of the free-market ideology, the shock-therapy policies. In opposition to these policies, Lyndon LaRouche has called for a return to the American System economic policies associated with President Franklin Roosevelt, policies which lifted the United States out of the Great Depression. Mr. LaRouche, as you know, has taken this campaign for Roosevelt-style economic policies to Russia on several occasions, and we're seeing more discussion about Franklin Roosevelt in Russia, even more than in the United States, especially in commemoration of the recent 125th anniversary of FDR's birth.

Now, I know you're very familiar with Franklin Roosevelt's policies. You had a collaborative relationship with another of the leading proponents of Roosevelt, the late John Kenneth Galbraith. Do you see the prospects arising now in Russia, for an adoption of a reform policy, modelled on Roosevelt's approach, as an alternative to both the failed models of the central planning of the Soviet system, and the radical free-trade model of the post-Soviet era?

Menshikov: Well, recently we had some of our leading politicians—and I'm meaning one of the top assistants to President Putin—made a big speech about Franklin Roosevelt. And he said that we would very much like that the Roosevelt tradition return to the United States, and we would be very glad to join the policies that would emerge as the result of the coming back of that tradition. And we always thought very highly of President Roosevelt. Actually, though he died in 1945, I do think that he had a very deep impact on American policies, even after his death.

And now, I think we would very much support a return of

the United States to Franklin Delano Roosevelt's policies—both internal policies, of course, but also his foreign policies. He wasn't actually a very good friend of the Soviet Union, he was just a very pragmatic politician. But, he saw the Soviet Union at that time (that was what Russia was called), saw it as a big power in the world, a power which the United States would better cooperate with than fight against, and he was absolutely correct.

And that's what Mr. LaRouche is preaching, and I think he's absolutely right. If instead of spending money on the resumption of the arms race, which is where George W. Bush is heading, if instead of that, we would join our resources together with China, and India, and the other countries in rebuilding, and modernizing the world economic infrastructure, that would create a lot of new jobs for people, and would be a very stable foundation for the healthy development of the world economy, which is not healthily developing right now.

Schlanger: Now, before I bring on our panel of members of the LaRouche Youth Movement, I want to ask you one other question, about Mr. LaRouche's proposal for a New Bretton Woods and specifically the role that Russia can play: You know, a central feature of this proposal is Eurasian development, particularly the initiative for a Eurasian Land-Bridge as a corridor of development, connecting Europe and North Asia and South Asia along the old Silk Road. If the U.S.—this has always been, I think, part of the thinking about economic development in Russia—so if the U.S. were to move away from the Cheney-Bush unilateral new Roman Empire geopolitical doctrine, and bring in Mr. LaRouche to negotiate with India, China, and Russia for a New Bretton Woods, what response would you expect from political leaders in Russia?

Menshikov: Well, the fact is, that in spite of LaRouche's proposal being absolutely reasonable—I think the only reasonable proposal for world development—it has not as yet been discussed at any government level, and that's a pity! I would say that if the American government would change the kind of thinking it is now following, and accept at least in the main, Mr. LaRouche's program, the Russian government would respond very positively to that.

Actually, you see, what is happening: China is developing very quickly nowadays. It is developing at the rate of 10, 11% per annum. Now that is very much faster than either Russia and the United States, and if it goes on at that rate, in 20 years, China will be the biggest country in the world in terms of the economy.

Now, how is the U.S. looking at that? Instead of looking at it as a possibility to bring on more cooperation between our countries, because China's development means that many more resources can be used for rebuilding the world economic infrastructure, building the European Bridge, in spite of that, it is being seen as a competitor, as a danger, as a danger of driving America out of power in the world, reducing its geopolitical role, etc., and that's looking at it in a confronta-

tional way.

While, the way to look at it, is not confrontation, it's cooperative, the way LaRouche suggested. Because, the U.S. is a powerful, big country, a leader today, but then, China becomes the leader tomorrow. The way to work is to avoid a clash between these two countries—I'm not talking about a military clash. God forbid that! But also an economic clash: We don't want that. We want to bring those resources together. So as to assure an upswing on the world economy in the years ahead.

Instead of that, at present, we have all the makings of a new financial crisis, and the dollar is falling. In Europe, we view that very, very acutely. The dollar is going down from month to month, and you in America may be not feeling that, in your consumer prices and so on. But we are feeling that, because every time the dollar falls, prices in Russia and Europe, they rise.

Schlanger: Well, I think we do feel that, in the United States, because we're becoming increasingly dependent on imports as well, and we have a huge trade imbalance as you know. But, I think as long as the government tells Americans that there's no inflation, people must think there's something wrong with their adding and subtracting in their own check-books!

Menshikov: Well, our governments are telling us the same thing. But in spite of that, we have a lot of inflation. Russia has more inflation than the United States, it's about 9 or 10%, that's what the government says. Actually it's more like 15 or 20%. . . .

Schlanger: Now, Professor, I know that you're going to be celebrating your 80th birthday soon, and you have the best wishes from all of us in the LaRouche movement in the United States. Do you have any last thoughts about the importance of this kind of intellectual collaboration and discussion?

Menshikov: All I want to say is that, if you think this is a kind of highly sophisticated book, then you are right and wrong at the same time. Because if you just read it, you'll know a lot more about Russia, written by a Russian—not by an American. And that's not because I don't like your American experts on Russia, but because you will have the Russian thinking, the way Russians think about their own economy, and that's very important. But we also have a lot of facts and figures which you won't find in other books. So, I'm trying to promote my book, as you see.

Schlanger: Well, I would highly recommend it, I'll promote it! I've read it. I think it's an excellent contribution to this discussion. Thank you so much for joining us today on The LaRouche Show, and I hope maybe we can have you on again, sometime.

To hear this full interview, go to www.larouchepub.com.