

into which such public credits would be channeled are obviously public infrastructure projects. In this respect, it should be of major interest for Poland that the governments of France and Germany especially are reflecting a proposal that Mr. LaRouche made in 1990 for the development of eastern Europe; and what they are discussing is to extend a high-speed railway project connecting Paris and Berlin to Warsaw and Moscow. What do you think about those kind of development projects?

Michna: I read a joint statement by Kohl and Mitterrand regarding a high-speed railroad for Paris-Berlin-Warsaw-Moscow. I understand that this is the first element of this great infrastructure project. I used this statement of Mitterrand and Kohl's in the PSL Club statement in Parliament during the budget discussion. I said that the Sejm is for government support for this kind of infrastructure. I understand that all participants will have their interests in this project; for example, France is the author of the technology of high-speed trains, it has the license for this technology—the engines, carriages. The Germans can expand the market for their exports, but Poland, too, would benefit during the construction phase, and, also afterwards, thanks to vast exports to the East, and to imports. Those projects will find much support in Poland, I think, because Poles support the idea of solving problems in Europe through a process of integration of western, central, and eastern Europe. I think that Europe, as well as the whole European-Pacific civilization, together with the United States, would benefit just as it benefitted from the Marshall Plan; now it can benefit from building huge infrastructure networks, or rather the huge integration of Europe from Spain to the Urals.

EIR: This kind of development of integrated Europe needs new ideas in the field of economic theory. How do you view the theory which is called physical economy?

Michna: I read with a great interest LaRouche's book on physical economy, *So, You Wish To Learn All About Economics?* I think it is very creative. From the standpoint of educating students or as a new thinking in economics, it is very important and instructive. It is possible to derive from it various thoughts concerning integration, since it gives the basis for economy without speculative capital. It requires a reader who would be prepared to translate physical economy into the program for today and tomorrow, because the concept of physical economy gives a certain foundation and on this foundation one has to build a program for today and tomorrow. There is no program for today and tomorrow in this book yet, and when an inexperienced economist reads it, he may feel that something is missing. But I think the second volume should be developed as a program for today and tomorrow: Building infrastructure may be such a program for today. There was no thesis in that book which I would disagree with, it is the basic, general principle of economics.

Conference Report

Bankers turn screws on Russia, Ukraine

by Richard Freeman

Boris Fyodorov, the former finance minister of Russia, complained to a meeting of international "financial experts" in Washington, D.C. on July 22, that his only objection to the austerity conditionalities of the International Monetary Fund (IMF), is that they are not harsh enough. He and others who spoke at the July 20-22 conference of the Commission on the Future of Bretton Woods Institutions targeted Ukraine as the next victim of the shock therapy policies that Fyodorov so relishes.

The commission is a ghoulish gang of one-worlders who wish to rework the IMF and World Bank, joined to a newly created World Trade Organization, into a new Roman imperial triumvirate, exercising a global economic dictatorship over previously sovereign nations.

Fyodorov, who weighs at least 240 pounds, forgets to tuck in his shirt, and looks like a plump schoolchild in an adult's body, presided over draconian shock therapy while Russia's finance minister from 1992 through early 1994. He told the Washington audience: "I have friends in Russia who say the IMF is too strict. But I say it is not strict enough. I told [IMF Managing Director Michel] Camdessus that 'you should be tougher demanding of Russia a sound economic policy.' Our inflation rate in Russia is reportedly down to 6% per month from 100%. I told the IMF you must demand it go lower. People say Russia is poor. Russia is rich. It has \$20 billion in American bank notes. There are mansions. There are Rolls Royce dealerships. I have nothing against the IMF. In Russia there are too many privileges and too many unorthodox strategies"—in contrast, presumably, to the IMF's strait-laced genocidal strategies.

As a result of Fyodorov's policies, Russian industrial output is down 49.7% from its January 1992 level; 80% of Russia's critical machine tool sector is in bankruptcy; one in five Russian infants is born ill, as opposed to one in seven in 1991; and, in 1993, Russia's population shrunk by 300,000 persons.

Fyodorov: Shut down heavy industry

In an interview with *EIR*, Fyodorov exulted that the military-industrial complex is disappearing. This complex is Russia's manufacturing core, embodying unique capital-in-

tensive machinery, manned by a skilled workforce found nowhere else in Russia. He stated that the number of workers in the military-industrial complex (not counting the Armed Forces) has been halved from 6 to 3 million during the last three years. "It has a core of 1,000 firms, but many of those firms now only produce 5% military," and many produce nothing at all. As for Ural-Mash, one of the biggest machine-tool companies in the world, which the government has subsidized to keep open, Fyodorov said, waving his hand, "Shut it down. Let the Russian government pay the 100 million rubles that it is spending to keep Ural-Mash open to Caterpillar to build a new plant. We don't need a Russian plant."

Though booted out as finance minister on Jan. 26, 1994, Fyodorov is chairman of the Committee on Monetary Policy and Central Bank Policy in the Russian parliament, the Duma. From that position, he wrote and passed a new law in July that will convert the central bank into an institution along the lines of the Bank of England. Fyodorov confirmed that the 1992-93 "shock therapy reforms" that he and former Deputy Prime Minister Yegor Gaidar applied with such destructive force, were drafted at IMF-World Bank headquarters in Washington in 1991, when Fyodorov was serving as Russia's executive director to the World Bank. "Wouldn't people be amused to know that?" he asked.

Applying the lash to Ukraine

The financial wizards at the conference made clear that now is the time to apply the Fyodorov version of shock therapy to Ukraine. Anders Aslund of the Stockholm Institute of East European Economics, an adviser to the shock therapy reformers inside Russia, sharply criticized the IMF for: 1) poor application of the shock therapy program to Russia, and 2) almost no application to the other 14 countries of the former Soviet Union, with the exception of the Baltic nations. He said that five of the countries in 1993 had inflation rates of between 7,000 and 11,000%: Armenia, Turkmenistan, Ukraine, Tajikistan, and Georgia. Aslund complained that the IMF had sent teams into these countries, but then failed to implement the necessary "conditionality" and "adjustment" measures. He neglected to mention that City of London and Wall Street bankers unleashed the hyperinflation by imposing sharp deregulation of prices starting in 1992.

Aslund told *EIR* in an interview that Ukraine is now a big test case, "if the reform process in the former Soviet Union is going to get back on track. In the next few months, what happens in Ukraine is a very important event."

Aslund's view on Ukraine was seconded by Strobe Talbott, the number two man at the State Department. Talbott caused a stir in December 1993, when he spoke out about the economic disaster that the IMF was causing in Russia. Talbott said that there should be "less shock, more therapy." But, unfortunately, Talbott did not mention a peep about that in his July 21 address. Instead, he praised "the IMF's disciplined, enlightened, patient engagement with Russia."

He singled out Ukraine as the place where the U.S. State Department, Treasury, and IMF would work as a team, bringing the same program and "benefits" as those applied in Russia.

Global speculator George Soros, who attended the conference and defended Aslund's critique of "insufficient discipline" in the newly independent former Soviet states, asserted after the panel in a private discussion that, whereas Talbott had criticized the IMF in December 1993, "those remarks are in the past. Strobe Talbott is doing a very good job with regard to the Ukraine. I know." Referring to Leonid Kuchma, who won the presidency of Ukraine with 52% of the vote in the July elections, Soros stated, "Kuchma is a personal friend of mine. I will be visiting him and working with him."

According to an Interfax newswire on July 19, industrial production in Ukraine for the first six months of 1994 had fallen by 40% from levels of the first six months of 1993. Steel pipe production was down 64%, machine tool production down 72%, and tractor production down 74%. But Kuchma declared that a further 25% of industry could be closed in the near term during his term, through additional market reforms.

Kuchma's policy has the stamp of approval of Boris Fyodorov, George Soros, Anders Aslund, the IMF, and apparently, for the moment at least, the financial policy planners of the U.S. government.

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