

The Lebed signal: toward economic sanity in Moscow

by Rachel Douglas

“Governments cannot act on ideas, unless those ideas are established in some influential circles. My concern is to broaden and deepen the discussion of precisely this, among intellectual layers, which are influential in shaping the thinking of governments,” Lyndon LaRouche said in conclusion of his presentation at a seminar with top-level Russian economists last April, on the subject of “Russia, the U.S.A., and the Global Financial Crisis.”

Since 1992, the wrong ideas, the most destructive economic ideas on the planet, have had a stranglehold on Russia: radical free marketeers’ poison, imported from Britain, guided the privatization and asset-stripping of Russian industry and the demolition of the population’s standard of living. Russia’s reforms came from the Mont Pelerin Society’s Institute for Economic Affairs, in London, first and foremost. “Now the pace [of reforming] will be accelerated and our think-tanks can play a key role,” IEA director Lord Harris of High Cross boasted to the *Times* of London in August 1991, the week the Soviet Union broke up; added the *Times*, “The Thatcherites believe that [these events] have created the perfect new laboratory to test their ideas.” Confronted by *EIR* at a Washington press conference on Nov. 22, 1996, former Russian Premier (1991-93) Yegor Gaidar acknowledged that the International Center for Research into Economic Transformation, co-founded by himself and Harris in 1990, provided most of the economics personnel for the first post-Soviet Russian government. “It was very important,” Gaidar said of his collaboration with Lord Harris.

From the outset of post-Soviet Russia, Lyndon LaRouche and the Schiller Institute proposed a very different design for Russian economic development, as part of a global industrial and cultural renaissance to cure the ravages of austerity and looting. The deeper Russia’s plunge into economic depression, the more LaRouche’s ideas have resonated among mem-

bers of the Russian intelligentsia, concerned with the survival of the nation.

Academician Leonid Abalkin, who was the moderator at the April 1996 round table where LaRouche spoke, appealed to his fellow economists “to awaken public opinion and draw the attention of political forces to the problems Mr. LaRouche has posed . . . [to] break through the wall of silence.” Now, the Institute for Social and Political Research (ISPI) of the Russian Academy of Sciences, has published the Russian transcript of that seminar.

As *EIR*’s editorial last week announced, and we report here in more detail, Gen. Aleksandr Lebed, the former Russian Presidential candidate and Security Council secretary, stunned an audience in Bonn, Germany, on Jan. 15 with his remarks on just such problems and ideas. In the fluid Russian political situation, there are no guarantees, but the ground has been prepared for a shift of economic thinking in Russia—away from monetarism, to economic sanity.

The school of National Economy

LaRouche’s textbook on physical economy, *So, You Wish to Learn All About Economics?*, was published in Russian in January 1993, by the Schiller Institute in Moscow. LaRouche was able to amplify its impact, in direct discussions with Russian scientists and officials, during three visits to Russia since 1994. The Russian press has also provided some glimpses of LaRouche’s economics.

Birzhevyye Vedomosti (*Stock Market News*), a Moscow weekly, in February 1995 cited the Schiller Institute’s warnings against the International Monetary Fund (IMF). Under the headline “A Forecast Begins to Come True,” A. Chichkin recalled that “more than two years ago, the international Schiller Institute said that it was hopeless, for Russia to orient to the IMF.” Government institutions and the official press,

caught up in forecasting the influx of foreign credits cooperation with the IMF would bring, ignored the warnings in the first Russian-language *Bulletin* of the Schiller Institute, which contained a special section, “The IMF and the Illusion of the ‘Free Market’ in Eastern Europe.”

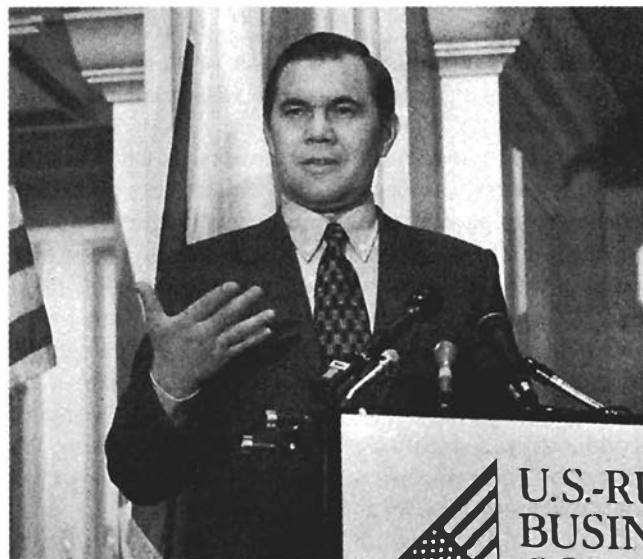
Oppozitsiya of April 4, 1995, circulation 10,000, excerpted LaRouche’s memorandum, “Prospects for Russian Economic Revival,” which Dr. Jonathan Tennenbaum of the Schiller Institute had delivered at hearings on Feb. 20, before the Committee on Economic Policy of the Russian State Duma. The Committee on Economic Policy was chaired by Sergei Glazyev, Russian economist and leader of the Democratic Party of Russia. (During his tenure at the Security Council in 1996, Lebed put Glazyev in charge of economic policy.) *Oppozitsiya* quoted LaRouche, that economic recovery in Russia would be incompatible with the British geopolitics of the Thatcher-Bush era. The full text came out in Russian in *Bulletin No. 5* of the Schiller Institute in Moscow (1995).

In June of that year, LaRouche addressed an audience at the Duma, on invitation from the Committee on Economic Policy. The opposition weekly *Zavtra* covered his speech, with emphasis on “the huge ‘bubble’ of financial derivatives, ready to pop now.” LaRouche’s presence in Moscow “should have attracted the attention of all our strategic opposition [people], who are genuinely interested in searching for alternative paths of development,” commented the *Zavtra* reporter, who characterized LaRouche as “one of the leaders of the world technocratic elite, the author of several super-large infrastructure projects, including for Russia.”

Reviving Witte

Profsoyuzy i ekonomika for July-August 1995, a trade union journal, circulation 40,000, carried Prof. Taras Muranivsky’s notice on the availability of a reprint of Sergei Witte’s *Outline of Lectures on National and State Economy*, published in 1912. Witte, Russia’s finance minister in the 1890s, then prime minister, was the brains behind the Trans-Siberian Railroad. Muranivsky, president of the Schiller Institute in Moscow, credited LaRouche with prompting the availability to Russian readers of this text; copies of the original were so rare in Russia, that the reprint had to be prepared from a copy in the U.S. Library of Congress.

Muranivsky’s article was titled, “If only our politicians had read him!” The *Lectures*, originally given by Witte in 1902-03 to the brother and heir of Tsar Nicholas II, the Grand Duke Mikhail Aleksandrovich, contain some of his most blistering polemics against the British “free trade” system, and elaboration of the concepts of national economic development, which Witte shared with Germany’s Friedrich List and other proponents of the American System of Political Economy. Muranivsky called the *Lectures*, “a real textbook of political economy and the national economy of Russia, which remains of scientific and practical value for our time,” and highlighted Witte’s views on the state’s promotion of railroad development, and his protective tariff, developed together



Gen. Aleksandr Lebed, at a briefing in November 1996 at the U.S.-Russia Business Council in Washington, D.C. Lebed’s comments to a high-level audience in Germany this month show the potential for a policy shift in economic thinking in Russia—away from monetarism, toward economic sanity.

with the scientist Dmitri Mendeleev.

On April 24, 1996, on his third visit to Russia, LaRouche keynoted the round table, “Russia, the U.S.A., and the Global Financial Crisis,” sponsored by ISPI, the Free Economic Society of Russia, the International Union of Economists, and the Schiller Institute for Science and Culture. Academicians Gennadi Osipov, director of ISPI, and Leonid Abalkin, who heads the Academy’s Institute of Economics, chaired.

Finansovyye Izvestia, an economics supplement to *Izvestia*, on May 21 reported the round table as evidence that monetarism is not the only economic theory in the West. LaRouche’s “theory of ‘physical economy,’ ” it wrote, “is directly opposed to monetarism, while he sees in the ideas of ‘the free market,’ merely a colonial policy, incompatible with the concepts of true economic growth. . . . The current economic policy of the major powers of the West and of the IMF is doomed, in LaRouche’s opinion, to inevitable collapse in the near future, while it promises the peoples of the world nothing but suffering. The scientist has prepared a special memorandum on the prospects for recovery of Russia’s economy, which proposes principles for the state’s implementation of measures, to reorganize a destroyed economy.”

In December 1996, ISPI brought out the Russian transcript of that round table, as a 96-page pamphlet. In the Russian brochure, LaRouche’s talk is followed by the speeches of Schiller Institute and Russian economists, including: I. Korolyov (Institute for World Economic and Economic Relations, RAS), Marivilia Carrasco (Ibero-American Solidarity Movement), Lothar Komp (Schiller Institute, *EIR*), V. Senchagov (Institute of Economics, RAS), Jonathan Tennenbaum (Schiller Institute), Valentin Pavlov (Promstroibank,

International Union of Economists; former prime minister of the U.S.S.R.), and Tatyana Koryagina (Russian Academy of Natural Sciences).

LaRouche's remarks, the centerpiece of the brochure, conclude with this perspective: "The United States [must] call together other powers, to set up corresponding international monetary reforms. . . . Russia has a very crucial role to play in this process, which is a political role, more than anything else. The combination of the United States and Russia, now as in 1945, with the cooperation of China and with the cooperation of other, lesser powers, which require the benefit of the same kind of development—we can change the course of world history, and get out of this economic mess. Now, the reason this possibly may occur, is because of the so-called force of Reason. None of us have any alternative."

Eyewitness Report

Lebed in Germany

The following is an eyewitness report filed by EIR correspondent Konstantin George.

Aleksandr Lebed, former chief of Russia's Security Council, spoke Jan. 15 at the Stadthalle, in Bonn-Bad Godesberg, as the guest of the German Society for Foreign Policy and the German-Russian Forum. News media accounts failed to convey the outline of a momentous potential shift in Russia's strategic outlook, which the past and future Russian Presidential candidate delivered. There were over 1,200 people in his audience, including prominent German economists and politicians. Lebed departed from his planned remarks, to give a briefing on economics as the core of national security.

He addressed "what has to be done in Russia, to improve its situation in the world," citing "an increasingly complicated world financial system." In Lebed's characterization: "There is the growing gap between the mass of goods and the circulation of financial paper, that can cause a world financial crisis, a cataclysm, and one cannot ignore this.

"Russia is at the point of no return, where the present rule by a criminal oligarchy, and the artificial cuts in the level of consumption, cannot go on without irreparable, irreversible damage. . . . To get out of this dead end, we need a new, more adequate system, to reinstitute social progress. In what direction shall we proceed?"

Lebed cited the assassinated early-20th century Russian Prime Minister Pyotr Stolypin, and turn-of-the-century Finance Minister and Prime Minister Count Sergei Witte, whose grand industrial design Stolypin's reforms partially echoed: "Russia has to proceed on the basis of the Stolypin reforms,

and the reforms of Witte."

As a "positive modern example," Lebed urged, turn to the "developments in the Asia-Pacific region, where they developed through their own strength, and not through IMF reforms. We must restore industry in its essential branches. When we recall how the West was built up after the war, it was through state regulation of the important branches of the economy, and this was the case even in the developed industrialized countries of the West. . . . For a certain time period, we need a state monopoly on foreign trade, with property guarantees for individuals. There must be a new methodology, of the state and of its leadership, for this transition period, otherwise we will not be in a position to survive the current unstable world. We must have an anti-crisis program.

"Close examination shows that stabilization of Russia is required, for Russia and for the world. . . . The state has to make the rules so that economic life can proceed. The state has to create a healthy *Mittelstand* [i.e., small and medium-sized firms], which we lack. The existence of a *Mittelstand* protects us from revolts, mutinies, and chaos. It is the *Mittelstand* which invests its money, and which risks its money. In Russia today, we have a very thin layer of the super-rich, and the many who've lost everything."

Lebed called for reducing the "state infrastructure," by which he means strictly the swollen bureaucracy: "The Soviet Union had a population of 270 million, and 18 million civil servants. Russia has a population of 147 million and 22 million civil servants," who are "always taking trips abroad, to gather experience and exchange views . . . mostly in the Canary Islands. We have to restructure and reorganize the state apparatus, by cutting it, and implement a reform of the Armed Forces. Now, I'm a general of the reserves, and I say we have to cut the number of generals. In today's Russian Army, there is a general for every two-and-a-half servicemen. As a general, I can tell you that the purpose of a general is to command a unit, and not to command two-and-a-half men."

Russia, Lebed insisted, needs "a working political center," because otherwise, "the Russian Federation doesn't exist, except as a thin flow of state finances. Russia must be held together; if it breaks up, that could lead to World War III." The key to recovery is the economy, since "politics and economics are one unit. They cannot be separated." Then, "we have to increase the attractiveness of Russia for those outside, to allow for safe and secure investments." One big problem is that the dollar has replaced the ruble in internal circulation: "I have nothing against the dollar, but . . . in your country, while you, too, have nothing against the dollar, the only legal internal currency is the deutschemark. I want the same thing for Russia, with our ruble. As President, I will ban the circulation of dollars inside Russia."

Russians "have \$25-27 billion in personal savings" (in dollars squirreled away); imagine what could be done if that were invested. "And look at what has left Russia in the last six years of capital flight. The estimates range from \$50 billion