

ally, even the European Central Bank has 45% of its reserves in gold, despite all the talk about the declining role of gold. It did seem that the gold cartel, which existed for many years, was listing—but the practice [of holding gold] has not confirmed its demise. Russia, and all the leading central banks in the world, are not reducing that role of real assets in their gold and currency reserves. In Russia, we also have the possibility to increase reserves in the form of gold, other precious metals, stones, and so forth.

The Stabilization Fund

The last point I'll touch upon, is the discussions around the stabilization fund, and whether it will come into being. And, we have Academician Lvov's model, about what should be on the balance sheet of some state agency, a Ministry of Natural Resources or something. The point here, is that those real surpluses that exist, need to be routed through the tax system and other legal agencies, so that the state receives its rent from these super-revenues. In principle, if these incomes are invested in dollar or other foreign-currency instruments, it is the same form of capital export, on which Mr. Illarionov and other of our leading gurus of the liberal path and the latest recovery of Russia, are currently insisting.

Therefore, the resources of the stabilization fund, or if they are in some other form, should be invested in real assets, above all in infrastructure. The land holdings and mineral deposits, currently exploited by Gazprom, the oil companies, and others (not only in Russia, by the way, but also in the CIS countries), were mentioned, and some estimates of their worth have been made. This will solve the problem of what to do next about the country's foreign debt, because, if these assets were to be appropriately capitalized, after assessment, the entire Paris Club debt could be paid down, or exchanged for a small portion of joint investments in those assets. In principle, this initiative is also on the table.

Finally, I should like to say again that I consider the subject of our parliamentary hearings to be very timely. I don't know, however—maybe there are some such people in the hall, but I don't see, at least among those who spoke, anybody who makes real decisions for the state, that is, above all, from the Central Bank or the Ministry of Finance. Of course, without something changing in those quarters, I don't think that the Parliament can accomplish anything on its own. Nonetheless, the earlier and more completely the dangers are diagnosed, the greater chance there is, that there will be time to adopt adequate measures. Thank you.

Helga Zepp-LaRouche

The Eurasian Land-Bridge As a War-Avoidance Strategy

Helga Zepp-LaRouche is the founder of the international Schiller Institutes, and the president of the Schiller Institute in Germany.

Thank you, Mr. Chairman. I am very glad, that the preceding speaker mentioned the relationship between economic conflicts and problems, and military conflicts. I am going to talk about this, about the fact that economic policy has certain consequences, when economic depression leads to war.

Since the 1995 Halifax summit, but above all, since the Russian GKO crisis and the near-collapse of the world's biggest hedge fund, LTCM [Long Term Capital Management], the governments of the G-7 have had recourse to only one measure: pumping unbelievable amounts of liquidity [into the markets]. The speculative bubble in the "New Economy," which was the direct result of this liquidity pumping, has burst, and inflation, which had earlier represented asset-price inflation, is now spreading as commodity-price inflation, with a tendency towards hyperinflation. At the same time, due to internal economic breakdown, the United States is losing its role as the importer of last resort, which has hit Asian exports particularly hard: The tendency towards depression is increasing worldwide: banking crises, mass layoffs, depression. What is threatened, is a breakdown of the global financial system, of a sort not witnessed since the Fourteenth Century.

Was this development foreseeable? The answer is, loud and clear: Yes!

When, in November 1989, after the fall of the Berlin Wall, signs of the dissolution of the Warsaw Pact and the Soviet Union emerged, Lyndon LaRouche warned that it would lead to a catastrophe, if one attempted then to replace the collapsing economic system of the East, with the equally bankrupt free-market system of the West. The paradigm shift, over the preceding 25 years, which, through a long series of neo-liberal steps, had undermined the foundations of the economy, in favor of speculation, would inevitably lead to the collapse of the system.

LaRouche proposed, instead, to go back to the principles of physical economy, in the tradition of Leibniz, List, Mendeleev, and Witte. He presented the grand vision of a program for the "Paris-Berlin-Vienna Productive Triangle," as the locomotive for infrastructural and economic integration of Eastern and Western Europe, and for the development of the East. This concept called for the integration of the no-longer-divided industrial centers lying within the Triangle—the size

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Helga Zepp-LaRouche addresses a university audience in China, May 1996. She was in Beijing for the International Symposium on the Development of the Regions along the New Eurasian Land-Bridge.

of Japan — and the most developed industrial capacities in the world represented there, through modern infrastructure, like the Transrapid [magnetic levitation railway]. Investments in frontier technologies were to enhance the productivity of labor power and productive plant facilities, as well as exports, especially in technology and capital-goods sectors.

From this Productive Triangle, so-called development corridors were to radiate out, from Berlin to Warsaw and St. Petersburg, via Prague and Kiev to Moscow, and through the Balkans to Istanbul. Integrated infrastructure projects, with high-speed railways, highways, and waterways, and computerized railway stations, were to constitute the transportation arteries of these 100 kilometer-wide corridors, along which the most modern technologies and industries could be brought into the East.

Instead of dealing an economic death blow to the allegedly obsolete industries of the Comecon, as the reformers of the IMF and shock therapy did, the industries of the East, though obsolete from a world-market standpoint, could, as valuable industries of the East, have been utilized, and could have played a meaningful role in the construction of the transportation arteries and networks; only then, after they had been “used up” in a certain sense, would they have been idled.

LaRouche’s warnings of the danger of the free-market economy, as well as his vision of the Productive Triangle as the motor of a reconstruction program for the East, and thereby the core of a global reconstruction program, were spread by myself and other members of the Schiller Institute to all leading circles in Eastern and Western Europe, beginning in January 1990, through numerous conferences, as well as to the broader public, through our publications. Had these programs been implemented at that time, they would have led to the biggest economic boom of the century.

But the great opportunity, to place East-West relations,

for the first time in the Twentieth Century, on a completely new basis, of peace through development, was missed. Margaret Thatcher, François Mitterrand and [the senior] George Bush, chose the geopolitical option of excluding Russia as a potential competitor, from the world market, and reducing it to a raw-materials exporter. Bush proclaimed the “New World Order,” which, like globalization, turned out to be the expression of Anglo-American unilateralism.

In 1991, when the disintegration of the Soviet Union rendered necessary a new political and economic perspective, LaRouche proposed extending the Productive Triangle to the Eurasian Land-Bridge, which should run along three main corridors: “Corridor A,” the Trans-Siberian railway and the line of the ancient Silk Road; “Corridor B,” from China, via Central Asia and Eastern Europe; and “Corridor C,” from Indonesia, through India, Iran, and Turkey, into Western Europe.

Through an entire system of auxiliary corridors, the whole Eurasian continent was to be connected. These corridors were not supposed to be just transport connections, but infrastructure arteries, around which advanced technologies could be brought in, so as to no longer merely extract raw materials, but to process them on the spot, and in this way build up modern industries. So, for the first time, these landlocked areas of the vast Eurasian continent could enjoy the same geographical advantages that were previously the privilege only of territories with access to the oceans.

To service existing populations and the expected population growth, especially in the densely populated areas of Asia, approximately 1,000 cities were to be built along the corridors. Inherently safe nuclear reactor models, such as the high-temperature reactor, were to be built to supply abundant energy to industry, agriculture, and cities. Between 1992 and today, the Schiller Institute presented the conception of the

Eurasian Land-Bridge—including its extensions via the Bering Strait into the Americas, and via the Middle East into Africa—as a global reconstruction program for a just new world economic order, to literally thousands of conference and seminar audiences in all five continents.

A Worldwide Land-Bridge Movement

After the Beijing “International Symposium on the Development of the Regions along the New Eurasian Land-Bridge,” a conference which took place after two years of intense preparation on the suggestion of the Schiller Institute, and in which Dr. [Jonathan] Tennenbaum and myself participated as speakers, we escalated this organizing. We also, in the same time frame, organized a series of seminars with participants from the various cultures of Eurasia, to deepen the understanding of each other’s scientific, economic, philosophical, and cultural traditions—and where they are similar, to deepen the foundations for a dialogue among our cultures. I can proudly say, that we have created a worldwide movement for the Eurasian Land-Bridge!

Given the fact that I am a German citizen, I wish to address the issue also from a specific German point of view. On one level, it is self-evident that the development of Eurasia is in Germany’s fundamental self-interest. Because of the relative scarcity of raw materials, the German economy only functions if it concentrates on continuous progress in science and technology and their application in the productive process, and if Germany has expanding markets with ever more prosperous customers. Under the regime of the “free market” and “globalization,” Germany has lost many of its traditional markets, and, therefore, needs the Eurasian Land-Bridge perspective.

On a deeper level: We in Germany remember very well the connection between depression and war. In light of the threat of a global depression and the many already obvious dynamics, out of which new terrible wars could develop, it is useful to review the debate which took place in Germany during the world economic crises in the 1930s. The transcripts of a secret conference of the Friedrich List Society of Sept. 16-17, 1931, were first published in 1991. The subject of the conference was how to boost the economy under conditions of the simultaneity of a depression and a crisis of the financial system. Among the participants were Reichbank President Dr. Hans Luther, and about 30 leading bankers, industrialists, and economists. The keynote speaker was Dr. Wilhelm Lautenbach, an important economist and high official in the German Economics Ministry.

In his memorandum, he [Lautenbach] argued: “The natural course for overcoming an economic and financial emergency” is “not to limit economic activity, but to increase it. Under crisis conditions, the market, the sole regulator of the capitalist economy, does not provide any obvious positive directives.” In a depression and/or a financial collapse, there would exist the paradoxical situation, that “despite curtailed

production, demand is less than supply, thus leading to the tendency to decrease production further.”

Neither budget cutting, which reduces public contracts and mass purchasing power even further, nor lowering the interest rates, nor tax cuts, can solve the problem, but rather, they aggravate it, argued Lautenbach.

The key to the solution is to use the “surplus of commodities, unused production capacities and unemployed labor. “The use of this largely unutilized latitude for production is the actual and most urgent task of economic policy, and it is simple to solve, in principle.” The state must “produce a new national economic demand,” but it must “represent a national investment for the economy. One should think of such tasks as . . . public or publicly supported works, which signify value added for the economy, and would have to be done anyway, under normal conditions”—for example, roads, highways, and railroads.

Lautenbach then argued that the initial boost of infrastructure and investment projects would lead to an upward juncture of the whole economy, and that the [increased] tax revenue of the rejuvenated economy would be larger than the initial credit lines given by the state.

Had the Lautenbach plan of 1931 been implemented, the economic and political conditions would have improved in such a way, that the National Socialists would have had no chance to come to power, and World War II could have been avoided.

The realization of the Eurasian Land-Bridge is, therefore, today the best war-avoidance policy. It also represents the necessary vision of hope for the populations, which deserve a better Twenty-First Century than was the Twentieth. Thank you.

Tatyana Koryagina

Financial Crisis Will Sweep Away Governments

Dr. Koryagina is senior economist from the Institute of Macroeconomic Research at the Russian Ministry of Economic Development and Trade. Her speech has been translated from Russian. Subheads have been added.

Dear colleagues! Helga and I are making our presentations, the attempts at intimidation, which we heard from Mr. Zhirinovsky, notwithstanding. Although it should be said, that as an individual, I did follow his advice in a certain sense, insofar as when I was elected to the first State Duma, I voluntarily