

LaRouche's Science of Physical Economy as Key to Solving the Problems of the World, Eurasia, and Ukraine

by Natalia Vitrenko

Dr. Vitrenko is a former Member of Parliament of Ukraine, and is the leader of the Progressive Socialist Party of Ukraine. We present here her edited remarks as prepared for presentation on Nov. 16, 2019 at the Schiller Institute Conference, "The Future of Humanity as a Creative Species in the Universe," in Bad Soden, Germany.

It is a great honor for me to speak to the conference about the role of LaRouche's teachings for solving the problems both of the world as a whole,



EIRNS/Chris Lewis

Natalia Vitrenko

and of particular continents, such as Eurasia, as well as those of specific countries, like Ukraine.

This is my first address to a conference of the Schiller Institute, since the death of the outstanding person, the patriot of planet Earth, the world-renowned economist, philosopher, and political and public figure, Lyndon LaRouche. I am proud that for nearly a quarter of a century, in various forms, I was able to listen to the great LaRouche and to see him at conferences, where we could discuss socioeconomic and geo-

political processes, as well as to spend time at the home of Lyn and Helga—a family living at a very high intellectual level. I am grateful that I was able not only to be acquainted, but to be friends with these unique people.

The great Lyn has left us. But his teachings, the powerful light of his ideas, remain. Likewise planet Earth's problems remain, and they are growing in an ominous way, to an explosive level. Lyndon LaRouche forecast and warned about this. In particular, at the forum "For the Unity of Europe. How to Restore Trust," which was organized in January 2019 in Moscow by the International Slavic Academy of Sciences, Education, Arts, and Culture. In my lecture, "Towards a United Europe through a Paradigm Shift," in the search for solutions to the problems of Europe today, I utilized the ideas of Nicolaus of Cusa, Vladimir Vernadsky, and Lyndon LaRouche. (This was published in the journal *Slavyane (The Slavs)* No. 4/1 for 2018/2019.)

This analytical methodology is extraordinarily important, because it is scientific, and has been confirmed in practice. I do not know of any other scholar in the world who could forecast financial crises as precisely as Lyn did, both in the world economy as a whole and in individual countries. I believe that the works of Lyndon LaRouche on the methodology of economic studies, as well as his specific proposals for changing the nature and the role of the international institutions that determine the existing world order, and his proposals for reorganizing the world and creating an entirely different world order, should be a separate subject for study by students at all the leading universities in the world.

The precision of LaRouche's forecasts and his meticulous treatment of the problems of national economies are clearly demonstrated in the case of my country, Ukraine. Ukraine was one of the most advanced republics of the former Soviet Union. As recently as 1991, it was a prosperous and progressively developing country. The Ukrainian Soviet Socialist Republic was among the top ten countries of the world, as measured in GDP per capita, greater than that of Poland, Portugal or Argentina. Ukraine was among the top six (I repeat, six!) countries in the world, possessing full-cycle production capacities for making aircraft, and highly advanced, modern ship-building, diesel engine-building, and the automobile (including buses), missiles, and agricultural implements industries. All of this was based on Ukraine's scientific, R&D, and technological capabilities. We had no unemployment. We had a steady increase in skills-training for the labor force.

The Destruction of a Modern Industrial Economy

In June 1992, Ukraine joined the International Monetary Fund and agreed to implement all the conditionalities dictated by the IMF for credits issued. Volodymyr Marchenko and I came to a Schiller Institute conference in Washington in February 1995, and reported that a discussion was under way in Ukraine about a government reform program, which was then to be approved by the Parliament. Lyn and Helga were not indifferent to the inevitable catastrophe facing our country. At that time, we were representatives of the Socialist Party of Ukraine (SPU), whose leader, Alexander Moroz, was Speaker of the Parliament. The reform policy in Ukraine largely depended on him personally and on the Parliamentary group of the SPU, especially insofar as Ukrainian economists and economic managers were torpedoing the IMF's monetarist, colonial prescriptions within the country, essentially supporting LaRouche's theory of physical economy and advocating a policy under which the development of material production would be decisive.

First, the Schiller Institute sent its representatives, Michael Vitt and Dennis Small, to Ukraine; in May 1995, they met with party activists of the SPU. Then, in June 1995, Lyndon and Helga came to Kiev, where a meeting was arranged between them and the Speaker of the Parliament. As a participant in that meeting, I witnessed how convincingly, and in what a well-argued fashion, LaRouche urged Moroz not to accept the IMF loans, and to refrain from implementing reforms according to the IMF recipes.

Unfortunately, the intellectual level and moral qualities of Moroz prevented him from taking the advice of the great American economist, which was so crucial for the fate of Ukraine. As a result, and as LaRouche had warned, the Ukrainian catastrophe became irreversible. But there had been a chance, a real historical chance, to prevent this terrible destruction of the economy, and the impoverishment and dying out of the population!

Unfortunately, the inability to realize the magnitude of the threats and to choose a pathway of national salvation is a problem not limited to Moroz and the Ukrainian political elite. It is a problem of the political elites in practically every country in the world with the exception of China. As a result, because of their failure and inability to understand fundamental socioeconomic and financial processes, and to take responsibility for the fate of their populations, not only their own coun-

tries suffer, but the whole world suffers.

This challenge is now at the top of the world's agenda. What LaRouche tirelessly talked about—the inevitability of the global financial crisis (comparable in its effects to thermonuclear war), stemming from the inflation of gigantic financial speculative bubbles to a critical size—is now being talked about by experts on every continent: Paul Krugman and Mark Mobius, George Soros and Mervyn King, and analysts from the Bank of England, the World Bank, Bank of America, and others.

The enormous financial debt of not only the weak countries of the Third World, but also the leading economies of our planet (and that is the most important thing!), is turning the world economy into a powder keg, which inevitably will explode in the near future. According to data from the U.S. Central Intelligence Agency, the USA's debt in 2019 is \$23 trillion (135 percent of GDP), Japan's is \$13 trillion (295 percent of GDP), and the UK's is \$2.7 trillion (108 percent of GDP). Yet the World Bank states that the maximum permissible debt level for a country is 77 percent of GDP.

Death-Dealing Reforms

Let us return to Ukraine. Ukraine fully implemented all of the IMF's demands: the state sector of the economy was dismantled, with mass privatization; the National Bank was no longer subordinated to the government; and a system of commercial banks was established, within which the smallest banks are regularly shut down. Simultaneously we had the deregulation of prices, the currency exchange rate, and foreign trade, so all the conditions were created for the formation and enrichment of a Ukrainian oligarchy.

Another boost to their capital was the cheap-labor model, imposed by the West, based on an artificial understatement of the official minimum subsistence level of income, which was set at only 20 or 25 percent of the real cost of living. This, in turn, led to meager wage and pension levels, and pitifully low social benefits. Macroeconomic stability was evaluated exclusively by the reduction of the budget deficit through cuts in funding for healthcare and education, and for culture and sports, and through constant increases in utilities rates, justified by the mantra that they needed to be raised to market levels, and that the government should be removed from any regulation of prices on food, medicine, and vital necessities, and communications, transportation, and other services.

This brought about a constant, unrestrained rise in

the cost of living. The great majority of the population was deprived of the ability to cover the cost of living with their income.

It is therefore no surprise that Ukraine ranks last out of all 42 European countries, in purchasing power of the population. These statistics were published in October 2019 in the study "Purchasing Power Europe 2019" by the data analysis company GFK. On average, the income of a resident of Europe in 2019 is 14,739 euros, while the average Ukrainian's income is 1,830 euros—only one-eighth as much.

Ukraine's economic policy is determined by the shared interests of the Ukrainian oligarchs and the international financial institutions (the IMF, the World Bank, the EBRD, the World Trade Organization, and others), which in turn express the interests of the ruling circles in the leading countries of the West. They have no use for Ukraine as a competitor or an equal partner. Just as LaRouche warned, they have no interest in the development of the national economy or its very basis—physical economy and material production. They are interested in having a large market for their goods and services, so as to increase their own profits. They need Ukraine as a supplier of raw materials for their companies, and of super-cheap, highly skilled labor.

The plans of the West also include taking over Ukraine's very territory. (Remember, this is a country in the geographical center of Europe, an important transit juncture for the continent of Eurasia, with outlets to two seas and a great number of rivers, lakes, and large forested areas.) Of particular importance is our wealth of arable land (19 percent of all the farmland in Europe) and black earth (8.7 percent of the world's black earth soil).

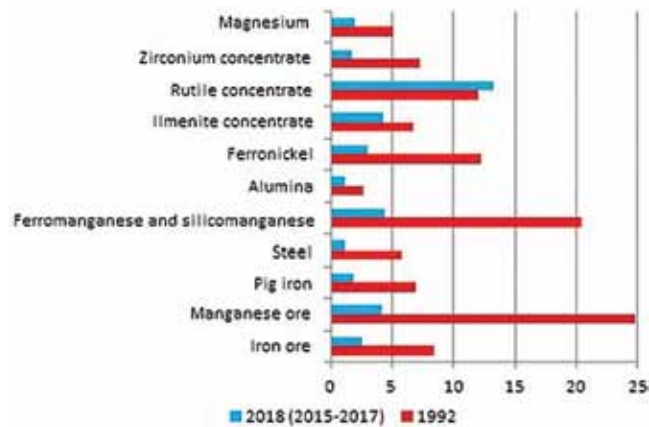
Poverty and Emigration

Therefore the Western orchestrators of the reforms in Ukraine, along with the Ukrainian oligarchs, are absolutely indifferent to the suffering of our people, which has led to a horrific scale of labor emigration from Ukraine (at least 10 million people in the past five years) and negative natural population growth (the death rate is almost double the birth rate). The outcome is that the population of Ukraine has fallen from 52 million people at the time of independence in 1991, to 30 million today.

Experts have been raising the alarm for a long time, and that is their estimate of the real population of the country, but government statistics continue to cover it up, stating that the population is 42 million, not counting Crimea or the self-proclaimed Donbass republics.

FIGURE 1

Ukraine’s Share in World Production



Source: <https://aftershock.news/?q=node/751692>

The current Speaker of the Parliament, Dmytro Razumkov, however, had to acknowledge the real state of affairs, when he argued in September 2019 in favor of amending the Constitution of Ukraine, to reduce the number of People’s Deputies in the Parliament from 450 to 300.

The Ukrainian economy today is a sorry spectacle. GDP in 2018 was at only two-thirds the level of 1991. Ukraine’s GDP was one-sixth that of Argentina; one-fifth the GDP of Poland; and half that of Portugal. According to IMF figures for 2018, average GDP per capita worldwide was \$11,730. In the advanced countries it was \$48,970, and in the developing countries \$5,490. In Ukraine, it was \$2,820!

But GDP is a monetary category, being the monetary expression of the totality of goods and services produced in a given period of time. What is hidden behind this screen? How much of precisely what goods did the country produce in this time period? From this standpoint, the case of Ukraine is dreadful. Having obeyed the IMF, the USA and the European Union, and receiving their constant praise for the success of the reforms, Ukraine has actually experienced a total economic catastrophe.

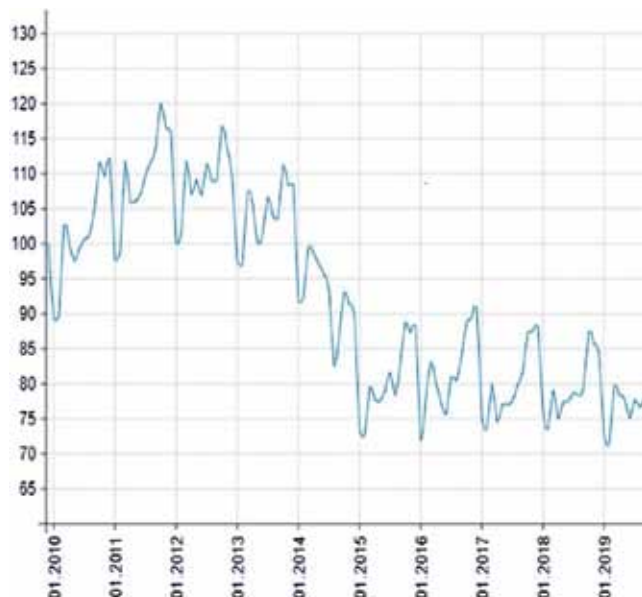
Looting the Physical Economy

Look at the first graph. [Figure 1] It shows the decline of Ukraine’s share in world production of the most important raw materials for the metallurgical industries. [The red bar shows Ukraine’s share of world production in 1992, and the blue bar is for 2018.] With the exception of rutile concentrate, production of all the other components collapsed deeply. So did output of pig iron and steel. In 2013-2018 alone, steel output fell

FIGURE 2

Index of Ukraine’s Industrial Output, 2010-2018

(2010=100)



(Ukrainian Ministry of Finance data, <https://index.mlnfin.com.ua/economy/index/industrial/>)

by nearly one-third, from 30.6 million tons in 2013, to 21.1 million tons in 2018; pig iron fell by 20 percent, from 25 million tons in 2013, to 20.5 million tons in 2018. Yet this is a strategically important sector for Ukraine: Steel and other metallurgy companies account for 30 percent of Ukraine’s total industrial production and 25 percent of our exports.

The second graph [Figure 2], Index of Ukraine’s Industrial Output, shows the condition of Ukraine’s industry. It is clear that our industry is comatose, and is disappearing from this country, which quite recently was an industrial power. Industry’s share in Ukrainian GDP has fallen by more than one-half: from 44 percent in 1991, to 20 percent in 2018; while the share of machine-building in industrial output also declined by nearly one-half: from 31 percent in 1991, to 15 percent in 2018. The share of innovation-based products sold, within total industrial production, has fallen by a factor of 13 just since the beginning of this century: from 9.4 percent in 2000, to 0.7 percent in 2017.

The table [Figure 3] shows the indexes of Ukraine’s industrial production in January-August 2019.

The data show that industrial production as a whole is continuing to collapse, while the power industry and machine-building are falling at a faster rate than other sectors. Electricity output has fallen by one-fourth in just the past five years—from 200 billion kilowatt-

FIGURE 3

Index of Ukraine's Industrial Output, January-August 2019

(January 2019=100)

All industry	91.0
Extractive industries	98.3
Manufacturing industry	92.8
Machine-building	87.5
Supply of electric power, natural gas, steam for heating	71.5

(Ukrainian Ministry of Finance data, <https://index.minfin.com.ua/economy/index/industrial/>)

hours in 2013, to 150 billion kilowatt-hours in 2018.

I will give you another couple of figures from machine-building: In 1991 our leading aircraft manufacturer, Antonov, produced 250 planes, but this year, in 2019, they have not produced a single one! Ten years ago, Ukraine managed to produce 423,000 automobiles, but a decade later the number is 8,600—that's lower by a factor of almost 50! The same destruction has occurred in other material goods-producing sectors. The number of cattle has fallen from 25.2 million head in 1990, to 3.7 million in 2019—only one-seventh of the previous herd. And nobody takes responsibility for this catastrophe.

LaRouche stood up precisely against the destruction of the physical economy. That is why he advocated building transport corridors of development from the Atlantic to the Pacific and Indian Oceans, and put forward head-spinning ideas about developing the Moon and making flights to Mars.

Human Creativity and Human Freedom

What for? So that advanced technologies would be developed more rapidly, and productive capital would dominate, rather than speculative capital, and the activity of the banking sector would be reorganized accordingly. The state would invest in the development of infrastructure, creating the needed conditions for the development of the power industry, transport, and industrial production. In other words, the state would be responsible for the development of the physical economy as the basis of its entire economic system.

Lyndon LaRouche, as an outstanding economist, philosopher, and politician, drew our attention not only to the causes and the scale of the oncoming upheavals, but also to the political consequences of the destruction of the existing monetary system. He warned that the oligarchy would call for a policy of strict austerity and would establish fascist dictatorships. Therefore it was essential that progressive humanity defeat the oligarchy and free ourselves once

and for all from that parasitical system.

And now all mankind has seen the re-birth of Nazism (fascism) in Ukraine. I spoke about this openly at my press conference in the European Parliament on February 26, 2014, immediately after the coup d'état in Ukraine. Once again I want to thank our co-thinkers from the Schiller Institute both for organizing our trip to Europe at that time, and for organizing the press conference. The further development of events completely confirmed our assessment.

It was the Nazi, Russophobic coloration of the Euro-maidan, that led to the loss of Crimea and set the stage for the fighting in Slavyansk and the monstrous attack on the anti-fascists in the Odessa House of Trade Unions, and brought on the fratricidal war in the Donbass. This war has continued for five and a half years. Even the official statistics say that 13,000 lives have been lost, including civilians—women, the elderly, and children. Hundreds of thousands have been wounded or psychologically traumatized. Millions became refugees.

All Ukraine is afflicted by the Nazi militants. They are armed, well-trained, and well-funded. They carry out acts of intimidation and “raider” seizures of premises, all over the country. Under Ukraine's new President, Volodymyr Zelensky, they are holding the entire population in fear, and terrorizing the country. Instead of rooting out Nazism and banning all Nazi parties and movements, the Ukrainian government has, to the contrary, made a Nazi ideology official, and is fighting against leftist parties and anti-fascist organizations. Six thousand of our compatriots are in prison as dissidents.

The persecution of our Progressive Socialist Party of Ukraine, an opposition party, is continuing. Our party headquarters and the editorial offices of our party newspaper, which were seized three years ago, have not been returned to us. Law enforcement agencies refuse to investigate the attacks by the Nazis against the leaders of the party and on party demonstrations, and those responsible have not been brought to justice. The Ministry of Justice of Ukraine has blocked the operations of our party by not officially registering the documents of now five of our congresses, while court decisions in our favor have been met with defiance, and simply not implemented.

The Aftermath of 2014

Throughout the years since the 2014 coup, we have done everything in our power to bring the truth about

Ukraine to the world. There has not been any proper reaction on the part of the international community. But this cannot go on forever.

And so, at last, Europe is beginning to sound an alarm.

One year ago, on October 25, 2018, the European Parliament passed a resolution titled “On the Rise of Neo-Fascist Violence in Europe,” in which they were forced to observe that:

Openly neo-fascist, neo-Nazi, racist and xenophobic groups and political parties are inciting hatred and violence in society, reminding us of what they were capable of in the past.

At that time, the Europarliament adopted sweeping recommendations to the nations of Europe. I will cite two of the 32 points of this resolution:

9. Calls on the Member States to strongly condemn and sanction hate crime, hate speech and

scapegoating by politicians and public officials at all levels and on all types of media, as they directly normalize and reinforce hatred and violence in society;

12. Calls on the Member States to investigate and prosecute hate crimes and to share best practices for identifying and investigating hate crimes, including those motivated specifically by the various forms of xenophobia. . . .

As we can see, LaRouche was right in this regard, too. The IMF’s economic reforms, which destroyed material production, i.e., the physical economy, led to a political coup, and to Nazism and fascism. Of course all possible approaches, and the world’s entire experience, must be employed to defend mankind (the population of Ukraine included) from Nazism, fascism and xenophobia. Without this, the world cannot be saved or transformed.

Lyndon LaRouche gave us the knowledge, which we are obligated to use for the salvation of humanity!