

going to die, what becomes of your self-interest the minute you die? Your self-interest in pleasure, in gluttony, in riches—What happens to them? They go! Your self-interest is in having lived, and having your life mean something to humanity. You live for your self-interest. Now, most people are not capable of doing that, not yet. Given the education system, that is not surprising. But, when people are inspired to rise to that sense of their personal self-interest, that what they can do for mankind while they are alive is their self-interest, then they are capable of exerting leadership. If they can do that, they can arouse in people, who all have this potential, at least for a moment, the ability to see that in themselves.

In the old times, when people used to believe in having babies, people would express that in a very simple way. They would say, “Okay, I’m living, I’m sacrificing for our children and grandchildren.” And children and grandchildren gave a way of focussing concretely on what your life meant. And you would joyfully sacrifice for the sake of the future of these children and grandchildren. You would *vote*, and support actions by society; soldiers were ready to die to save it, not because they wanted to die, but because they were ready to take the risk, because they had a sense there was something more important than their mortal life itself. It’s what they do with it that’s important. Like a scientist. How do you measure a scientist? By what they contribute to humanity. People whose names we know from thousands of years ago, what was their self-interest? To be what they were: great discoverers who benefitted all humanity after them, great artists who uplifted all humanity after them. A few of us have that developed commitment. In former times, more people had that kind of commitment, which they expressed in terms of their obligations to improve society, their family, and so forth. Those values have more or less passed away, during this decadent cultural period in which we have lived. We have come to a time when people suddenly realize that “My money, my money, my money!” is not the essence of humanity or life. the essence of the ability to *buy* is not the essence of life. It is being *human* that is the essence of life.

When people have taken away from them, some of the false values to which they have clung too ardently, sometimes they are forced to look and say, “What is really valuable?” Sometimes, for that reason, it is the poor who are the best fighters for freedom. Because they have the least to lose, and freedom means everything to them, because they have nothing else, except freedom. So, when we come to a time of great peril and depravity, the secret is leadership. The secret is the development and spread of ideas, sound ideas, which enable people to mobilize themselves about actions which will address the problem. In such a moment, when that occurs, suddenly the majority of people are able to decide on how to run this planet. And those few tyrants who dominate us, become pitiful wrecks running into places of refuge, or hiding or changing their identity. Thank you.

Dr. Sergei Glazyev

Reconstruction After The Financial Crash

Dr. Glazyev is chairman of the Economic Policy Committee of the State Duma of the Russian Federation, Corresponding Member of the Russian Academy of Sciences. Subheads have been added.

First of all, I would like to greet Mr. and Mrs. LaRouche and the Schiller Institute, and thank them for such an interesting and productive conference. I think that it is a very important event, which is taking place just in time, before the financial system collapses, when we still have maybe some months or so, to think about the future, and about what could be done in order to overcome those bottlenecks and dangers, which might appear in the nearest future. For me, it is a great pleasure and honor to participate in this conference and to share some ideas on the subjects, which Mr. LaRouche raised in his brilliant presentation.

I will concentrate on the lawful processes which determine modern economic development, and which we must take into consideration, when thinking about the nearest future and about the actions, which could be implemented to overcome a worldwide catastrophe, and to find the way out of the crises, which Mr. LaRouche described.

Mr. LaRouche showed that we are facing a crisis of the global financial system and the present global economic order. But how does this crisis change the global system? Whether the process of globalization stops, or if will it find new forms; or, perhaps the world economy will collapse into some regions, which will try to discover their own way out of the chaos; or, the world oligarchy will find new opportunities to create a new global order, based on war, terrorism, or worldwide dictatorship—what could happen? In order to answer all these questions, I think we should take into account certain important features of the present globalization process.

Looting Through Globalization

Usually, globalization is considered to be the process of creating a world market, which will afford more opportunities for each country to develop its own competitive advantages, to improve its efficiency, and to find new ways to cooperate with each other. And, according to mainstream economic theory, this creation of worldwide markets is also the creation of new opportunities and increased efficiency, not only of the world economy, but the efficiency of the economy of each country, participating in the globalization process. But this is,

in fact, not the real truth.

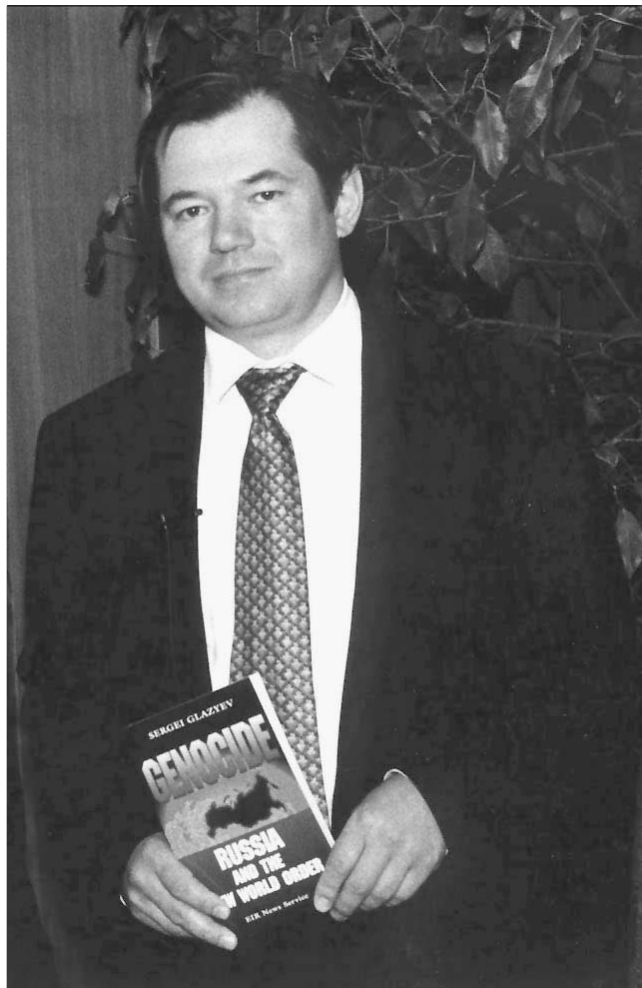
These are some features which we see on the surface, where governments of even the most powerful countries diminish themselves, destroy themselves, in order to provide new opportunities for free trade, for free flows of capital, labor, and information, thinking that, in this worldwide free market, they will create new opportunities for their companies and their people. We must bear in mind the other side of the coin of the globalization process. In fact, it is not only the integration of the different countries into one world market; it is also the disintegration of the world, where we can see a very small number of highly developed countries, which concentrate wealth, concentrate power, and concentrate capital, information, and knowledge. And, the large periphery of this core of the world economy, where we see growing inequality, poverty, huge capital flight, huge brain drains, and so forth. And, finally, we see also the emerging set of so-called dead states and even dead countries, about which nobody cares what happens there.

So, the present globalization process includes lawful processes which lead to the polarization of countries by means of an unequal exchange of goods, capital, and information.

The core of the global system, which includes the North American and Western European countries, and Japan, as well as some newly industrialized countries, in fact concentrates the possibilities to extract *rent* from the rest of the world. These possibilities emerged from two main sources. The first is the leading role of technological change in worldwide development. The share of science and technological progress in economic growth accounts, in the leading countries at this time, for three-fourths—or even 95%, according to some calculations—of the growth of GDP.

This means that those countries and those companies, those structures in the world market, which concentrate the intellectual potential and are able to produce new technologies and new opportunities for production and for taking profits, in fact have the opportunity to obtain intellectual rent, through unequal trade with the rest of the world—with their partners. Those countries which are unable to be at the frontier of technological change, have to give in exchange, cheap labor and natural resources, so they have to finance the economic growth and further development of the core of the world economic system. And this creates huge inequality in economic exchange. If you look at present markets, you can see that intellectual rent comprises about 50%, or even more, of the price of science-intensive products. These are superprofits, which are derived from exchange on the market. This is the first source of inequality.

The second source is the privatization of the world monetary system, by at least part of those countries which constitute the core of the world economic order. In fact, it is not even countries, but we should speak about the American Federal Reserve System, which in fact has privatized the global currency. And those financial speculators, about whom Mr.



Dr. Glazyev, with a copy of his book, Genocide. "I fully support those ideas which Mr. LaRouche has laid out in his speech about the necessity to develop world infrastructures based on new technologies."

LaRouche spoke, are lucky to have access to cheap capital and to a cheap source of the world currency, through the privatized money-creation center for the whole world.

This financial system leads to inevitable collapse, because of the lawful processes it embodies.

The financial speculators, who have access to—and even have the opportunity to create—money for nothing, and have opportunities to concentrate financial wealth on a worldwide scale, can easily undermine the financial stability of any country in the world, and obtain superprofits in this artificially created situation of disequilibrium. For instance, taking present Russian history as an example: We can see that from 1993 (when Russia opened its financial markets and gave financial speculators the opportunity to organize financial bubbles in the Russian economy) to 1998 (when we had a crash of the whole system), for each dollar invested in these financial pyramids in the Russian market, financial speculators made profits of about \$30 in those five years. This is the scale, on

which the national wealth of the whole country was caught and distributed by the financial oligarchy, using their unlimited financial wealth, due to their access to the privatized money-creation center.

After the Crash

So, as Mr. LaRouche has shown in his speech and in his papers, an economic order of this kind inevitably should collapse, for the obvious reasons which lead to the collapse of any financial pyramid. We see this not only in the Russian experience, but also in the financial crisis in Asia recently, the financial crisis in Mexico before, and so forth.

The question is: What will disappear, together with this financial bubble, and what will remain for the further economic development process?

In fact, we should consider two scenarios. The first, which Mr. LaRouche mentioned, is the scenario of worldwide, global financial collapse; and then, immediately, some kind of new order should replace it, or otherwise the world economy will go into chaos, and nobody knows what will be the way out of this chaos.

But there is another possibility. Perhaps, this collapse will not take place in one night. Perhaps, the present financial system will go onto a new trajectory of permanent financial crisis in different parts of the world, and we shall face some kind of turbulent, chaotic period of instability of the worldwide financial system. We should think, also, about how to deal with this instability, even if some mechanisms of the globalization process still continue to work.

If we think about what will disappear and what will survive this financial crisis, I think, first, that the financial system which is based on the privatization of the worldwide money-creation center—which is now the Federal Reserve System of the United States, which creates unlimited dollars for the whole world—this will go, for sure. Insofar as we are speaking about a new world economic order, we should also think about a new world financial system, which will either be based on a worldwide currency, not a private currency (which is the dollar, at the moment), or it will be based on something like a payments union—on some kind of mixture. In any case, to my mind, the present stage of globalization comes into strong conflict with the privatized global currency, which creates all these opportunities for the financial oligarchy to create such global instability, which inevitably leads to financial crisis.

But, at the same time, the other institutions which now play an important role in the globalization process and in worldwide development, will continue to work, and at least some of them will survive. I think a large number of transnational corporations, especially those working in the real sector, will continue to operate. We should think about how they will develop in the new macroeconomic environment. The global infrastructure and information network will continue to work also. Science and technology as the main engine of economic growth will also be in place, and we couldn't imag-

ine further economic development without the growth of research and development, without innovation, without technological change, which, as I mentioned, is the main factor of modern economic growth.

What will happen with the world organizations, not only the IMF [International Monetary Fund] and the World Bank, but also the WTO [World Trade Organization] and other international organizations? This is the question. In order to find our own answer, or our vision of how to answer this question, we must first think about what could be done in order to maintain global development after the financial crisis takes place, both at the national level and at the world level.

National Development Policy

At the national level, we have the good experience of how some nations were able to adjust to the turbulence of the world financial situation. Let's take the Malaysian example. The Malaysian government showed an example of how to introduce filters, which help the national economy to prevent shocks coming from attacks by financial oligarchs. Important filters of this kind, which help to prevent the attacks by financial speculators from disturbing and undermining the the national financial system, work. It works in Malaysia and in some other countries, which have introduced this or that kind of currency control, and which prevent financial speculators from taking money out of the country whenever they want.

A very important part of a successful national-level economic policy, is seeking one's own development perspectives. The point is, that if you look at world economic development, you can see that it is unequal, not only in space, but also in time. From time to time, worldwide technological paradigms, or technological modes, change. From time to time, the world economy switches to a new technological basis. This mechanism was described by Professor Kondratieff in the 1920s, and now we have a whole school of the long waves, or so-called economic paradigms, which describes how long-term economic development proceeds as an unequal process, an uneven process of changing technological modes or technological paradigms.

What does this vision mean for national development policy? It is quite obvious that, considering the scarcity of resources that each nation has, it is important to concentrate resources on those industries and those types of production that are on the upward part of their trajectory. It is senseless to invest in obsolete industries. Those countries and those companies, which can forecast where the new opportunities are and which of the emerging new technologies are the new locomotives for economic growth; those nations, which are able to concentrate resources on the development of these new opportunities—are fortunate to be able to use the new long wave of economic development, to improve their economic situation.

This was the story of Japan's development, for instance. The American administration in Japan tried to establish their

own economic policy. They thought that Japan would, at least for several decades to come, specialize in labor-intensive textile industries. But the Japanese government was clever enough to understand where the new possibilities of growth lay, and to invest exactly in those industries which started to grow at a speed four or five times greater than average economic development.

Now, even in a situation of financial chaos, we could find those new opportunities and those industries, which will grow not at 3 or 4% [per annum], which is the average rate of world economic growth, but at rates of 20%, 30%, 50%, or even 100%, as we see in the case of biotechnological industries and information infrastructure.

So, it is obvious that for successful national policies in a turbulent financial environment, we need clever and active government policies, which use not only their good forecasts of the further development of the world economy, but also find a comparative advantage in the national economy for further economic growth, and which could create development institutions which can attract capital from the West into these new opportunities. I do not have time to speak about the experience of various countries that are trying to find their way in this difficult situation, but I am sure that each country could contribute to this.

In Russia, too, we are discussing what future economic

policy will be. Either we shall continue the policy which caused the crash of the Russian economy—the Washington Consensus policy, without any active role for the government, which is a policy of self-destruction of the government, and in this case the Russian economy will collapse, together with the financial crisis—or, we shall find a way out, by trying to find our own alternatives and to propose to other nations to participate in mutually beneficial programs, including those Mr. LaRouche mentioned in his very interesting description of the Eurasian corridor developments, and so forth.

A New World Economic Order

Finally, coming to worldwide issues: If we speak about the new world economic order after the financial crisis, we should think of how to overcome those injustices and inequalities, which were created under the previous economic order. Here, the key question is the question of the distribution of rent. First of all, financial rent, which at the moment is controlled by the Federal Reserve System, together with speculators. Then intellectual rent, which at the moment is concentrated in the leading nations—actually, in transnational corporations; then natural rent and monopoly rent, in various branches of the world economy.

To overcome polarization and growth of tensions in the world social and economic system, we should find new ways to distribute this rent. I already mentioned the necessity to switch to a new financial order. This could be done in various forms: in the form of a payments union, where each country collects its own financial rent and uses the national currencies for trading with one another; or, the establishment of a new worldwide currency, which would be the core of at least part of the world economy. In this case, countries participating in the creation of the new world currency, should share national sovereignty with this financial community. For sure, they will have to limit the possibilities to create their own money, or they will have to switch to a currency board system. I'm sure that very few countries are ready to do this. So, we should think about some kind of mixture of various kinds of international financial mechanisms to promote world trade, world investment, and world development.

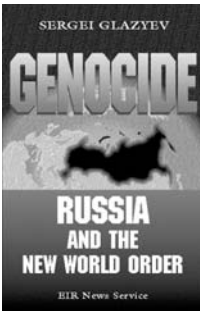
In terms of intellectual rent, we should think about more just mechanisms of technology transfer. The transnational corporations, which, at the moment, take intellectual rent from other countries and distribute it according to their own private interests, should understand the necessity for more just economic development. Each country has the right to establish its own barriers against capital flight. Let transnational corporations develop production in countries all over the world, but I think we should insist that the intellectual rent they collect should be reinvested in these countries, in order to overcome the inequalities and to create new technological opportunities.

Of course, it goes without saying that various kinds of offshore zones, which provide opportunities for illegal mone-

GENOCIDE


RUSSIA AND THE NEW WORLD ORDER

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Economist Dr. Sergei Glazyev was Minister of Foreign Economic Relations in Boris Yeltsin's first cabinet, and was the only member of the government to resign in protest of the abolition of Parliament in 1993.

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tary transactions and undermine the whole world economic order, must be eliminated.

As for natural rent, according to the constitutions of most countries and, I think, according to worldwide moral principles, it should belong to those countries which have those natural resource deposits. Here, we must think, maybe, about some kind of international cartels among nations, which will try to keep the natural rent, and to prevent unequal distribution of rents between developed and underdeveloped countries, through transnational corporations or other mechanisms of world trade.

Concerning infrastructure development, I fully support those ideas which Mr. LaRouche has laid out in his speech about the necessity to develop worldwide infrastructure, based on new technologies. It should include not only new transport infrastructure, but also information infrastructure—telecommunications, research and development institutions active on a world level, and world social infrastructure as well. I think the leading nations should bear common responsibility for the supply of basic food, water, heat, and so forth, to the population of the whole world. It doesn't matter where people live.

A New Financial Architecture

The final question, is what will happen to the world organizations? At present, the majority of the world organizations, excepting maybe scientific organizations and some social non-commercial organizations, use obsolete technology to plan and develop their activities. They are based mainly on contributions from countries participating in these organizations; and that obviously means, especially for the main financial organizations, that their policies are determined by the countries that are the main contributors of capital and opportunities. It is not a secret, that the IMF, in fact, is a branch of the American Treasury Department, or the Federal Reserve. The situation is the same with the World Bank. The WTO also is not an organization of independent countries; we know who plays the key role in it. And this is the common picture.

When we speak of a new economic order, we should think about a new architecture of world organizations, which must have opportunities to work at a worldwide level, as a task force. If a worldwide money-creation center appears, it means that world trade facilities will appear together with it. It is very difficult to speak about cheap credits for the whole world, in different countries, if you do not have a world financial system. So, when a world currency is established, it means that the world organization in charge of this currency, should be under the control of the nations which organize this mechanism, and also have the opportunity to create and organize cheap credit, all over the world.

Of course, such ideas could not be implemented immediately; I think it is a step-by-step process. But in any case, we should think about creation of international investment

opportunities which will be controlled by the nations, but will be based on their own economic activity. For instance, we could think about a worldwide tax on transnational corporations. Or a worldwide tax on currency speculation. And this taxation, at least on speculative operations, could be used to finance the infrastructure projects, necessary for all of mankind.

In order not only to think about all these opportunities, but to implement them, we need political will, and I hope that this conference will contribute to it. I totally agree with Mr. LaRouche that Russia could play—and perhaps will play—a very important role in establishing this new world architecture, but unfortunately the Russian President is not among the participants in our conference. So, we have a lot of problems in all countries. I hope this conference will help us to solve these problems and to find the way out of the financial catastrophe. Thank you.

Prof. Stanislav Menshikov

Russia Prepares for The Financial Crash

Professor Menshikov is from the Central Mathematical Economics Institute of the Russian Academy of Sciences. He resides in the Netherlands. Subheads have been added.

Thank you very much. It's a pleasure to be here again. I have been here a few times. I don't even remember how many, exactly. Starting with Bonn, Bad Schwalbach, now for the second time. Then there was another conference around here. I think it's the fifth or sixth time, and I hope there will be many more occasions. As I noticed, the substance and the effect of this conference is increasing. It's not decreasing, not going downhill; you are going uphill.

After all the discussions about these global problems, let me say a few words on what I think might happen to Russia when the great crash comes. I think that the situation—as far as it concerns Russia—is dangerous, but not fatal. Why?

Number one: Two years ago, we still had an evil dummy in the Kremlin, Mr. Yeltsin. This was our Bush, in a certain way. Because a lot of things he did, led to the destruction of the Russian economy. If he were still around, I would say there wouldn't be any hope. If a crash came, Russia would certainly crash, together with the whole world. Nothing would help it. But, he is not there anymore.

And Putin is not a dummy. He has his weaknesses, but he also has a vision of reviving Russia, which is very important.