

The Soviet leadership takes stock of the crash's political dividends

by Luba George

On Oct. 22, the first day of Secretary of State George Shultz's arms-control talks in Moscow with Foreign Minister Eduard Shevardnadze and General Secretary Mikhail Gorbachov, a *Pravda* article appeared on the "Black Monday" crash on Wall Street. Citing the *New York Times*, it stated, "On Wall Street, the fire alarm went off, and President Reagan is behaving like H. Hoover in the year 1929."

Soviet television and radio were by then already describing the extent of the crash as "greater than that of Oct. 28, 1929." Daily Soviet newspaper articles have appeared comparing the current crash to the "Great Depression" of the 1929-33 period. The Soviet press has also drawn the parallel between the phony Hoover recovery of 1927-29, featuring the late-1920s stock market boom that preceded the 1929 crash, and the nonexistent U.S. economic "recovery" of the Reagan years, with its even bigger stock market bubble.

Soviet Gosbank (state bank) economists B. Korolev and E. Myagkov, writing in *Izvestia* Oct. 24 under the title, "Symptoms of a Crisis," stated that the "liberal" economic policies of leading "conservative" governments in the capitalist world have resulted in a rise of "speculative activities" of such proportions that a "colossal gap" has been created "between the growth of fictitious capital and real economic processes." Gorbachov's chief economic adviser, Abel Aganbegyan, made the same point: In recent years, he wrote, the movement of capital became "separate from the trends of manufacturing economy. Sooner or later, reality had to return."

Gosbank's predictions: continuing "instability of the capitalist economy" and "worsening economic conjuncture in the future."

Another article in *Pravda* Oct. 24, citing the French communist paper *L'Humanite*, also predicted "the consequences of today's stock market crash": "mass unemployment, cutting down production, price rises, decrease in allotments for social programs."

The new Soviet post-crash line was summarized by Central Committee member Vadim Zagladin, the first deputy director of the Central Committee's International Department. In an interview with the West Berlin Communist Party (SEW) paper, *Die Wahrheit*, he announced, "Capitalism is reaching the end of the road. This is not surprising.

There is a fundamental trend in the direction of socialism."

Zagladin was writing on behalf of his boss, former Ambassador to Washington Anatoli Dobrynin, the head of the Central Committee International Department and unofficial czar of Soviet foreign policy.

Big opportunities

With the onset of the crash, the Soviets see big political opportunities arising. In the United States, Moscow is counting on Congress to make deep cuts in the Pentagon budget, above all at the expense of the Strategic Defense Initiative (SDI) program. In Western Europe, Moscow now sees the potential for pro-Soviet socialist governments to come to power before the end of the decade. In countries like West Germany and Great Britain, prior to the onset of the crash, the likelihood of such political developments was near absolute zero.

The crash as such did not catch Moscow by surprise. The Soviet leadership knew before the end of the summer that a financial maelstrom was on the Western agenda for the near future. This was signaled in a little-noticed article by Central Committee member Yevgeny Primakov, the head of the Institute for World Economy and International Relations (IM-EMO). Writing in *Pravda* Sept. 15, he declared, "Attempts to stabilize the U.S. dollar have failed," and "lagging production" and "rising interest rates" would "bring about a general breakdown" crisis in the West.

At about the same time, the Soviets went into a policy-pattern that prioritized political-strategic collaboration with the socialist and social-democratic parties of Europe. What has transpired in this game since the beginning of October is staggering. To name but a few of the high points in top-level Soviet-social democratic coordination of activities:

- Ingomar Hauchler, Third World affairs spokesman for the West German Social Democratic Party (SPD), proclaimed on Oct. 5: "An Anti-American bloc has to be formed between Europe and the Third World." The statement was made immediately following Soviet Foreign Minister Shevardnadze's tour of Brazil, Argentina, and Uruguay, the first trip ever by a Soviet foreign minister to South America.

- On Oct. 8, Anatoly Dobrynin, at the invitation of the SPD, arrived in Bonn for a five-day visit. The SPD and

Dobrynin signed a document proclaiming SPD readiness, should they again become the government, to support Moscow's U.N. "initiative" for a drastic cut in defense budgets to create a Third World "development fund."

- One day earlier, Oct. 7, a Supreme Soviet delegation led by Lev Tolkunov, chairman of the All-Union Supreme Soviet, arrived in Brussels. The Soviet delegation had been invited by the Socialist Caucus of the European Parliament for one week of talks in Brussels and Strasbourg. The talks were intended to move toward establishment of official relations between the East bloc "common market" (Comecon) and the European Community (EC)—itself a step toward the "economic decoupling" of Western Europe and the United States. The Soviet delegation, whose invitation was spearheaded by the West German SPD, was returning the December 1985 Moscow visit of a 170-member socialist delegation from the European Parliament, which had inaugurated the Comecon-EC talks.

- Hot on the heels of the Brussels and Strasbourg discussions, Oct. 14-16, talks were held in Moscow between representatives of the Socialist International and the Communist Party of the Soviet Union to work out "common positions" on international affairs and the issue of Third World debt.

On the road to 'economic decoupling'

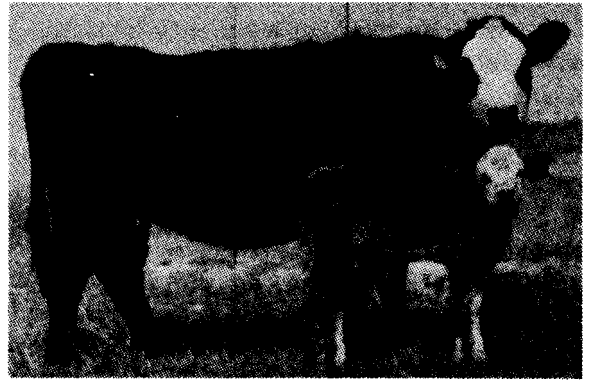
The "informal" talks held by the Soviet delegation at the European Parliament centered on moving toward formal relations between the Comecon and EC. Such formal relations must be viewed in the context of a Soviet/Socialist International strategy of promoting U.S.-European economic, as well as political-strategic, decoupling. In other words, the satrapal integration of Western Europe into the Soviet Empire.

On Oct. 22, the day that *Pravda* compared Reagan to Hoover, *Pravda* commentator Yuri Zhukov, a member of the Brussels delegation, laid out Soviet strategy: Europe is facing great economic instability. Western European countries, instead of coming closer to "eliminating national economic barriers" by the 1992 target, will be faced with cut-throat competition with one another for a shrinking market. In the "next three years," Europe will be hit by a massive rise in unemployment. For example, 80,000 steelworkers will be laid off. The plight of the farmers will continue to worsen, etc. The way out for Europe? Zhukov answers:

"Sober-minded politicians in the European Community are more and more talking about how the situation could be greatly alleviated if companies and countries developed mutually beneficial economic ties with the Socialist countries."

Thus, the purpose of the Tolkunov-Zhukov visit to Brussels: offering Soviet economic deals to a depression-ravaged continent, codified through a "normalization of relations between the European Community and the Comecon countries"—for a very high political price.

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On Oct. 24, right after Shultz departed Moscow empty-handed, Yevgeny Primakov, the author of the September *Pravda* "breakdown crisis" article, arrived in Brussels to pick up where Tolkunov had left off.

Blaming all on the United States

The ever-opportunistic leadership of the West German SPD has not failed to seize the occasion of the stock market panic to press the economic decoupling campaign forward. The turbulence on the world's stock markets, said SPD chairman Hans-Jochen Vogel, shows that a "grave instability of the world economy is spreading from the United States," and that Europe must now think of "economic self-assertion against the United States." He accused the Reagan government of stealing capital from Europe through its high interest rate policy, making the United States responsible for the mass unemployment of the European countries.

Vogel's remarks echoed statements made by former West German Chancellor Helmut Schmidt at an Oct. 26-27 Aspen Institute Conference in Berlin, which was attended by U.S. Ambassador to Bonn Richard Burt and former Secretary of State Henry Kissinger. Schmidt demanded that the U.S. administration reduce its budget deficit by 50% in the next 24 months, implying, among other things, cutting the U.S. defense budget by upward of \$50 billion: "Nothing else will work," Schmidt proclaimed.

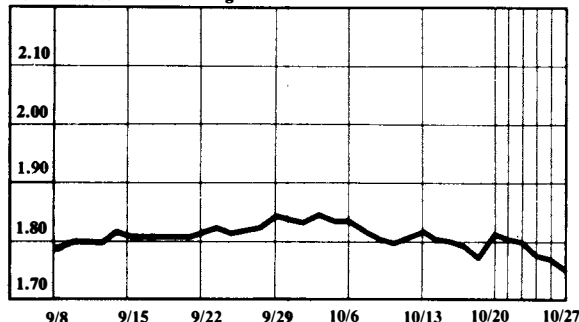
The dimension of the total U.S. debt is "far larger than the total debt of the Third World, far more dangerous for the world economy," said Schmidt, "and the main debt problem has to be resolved in the United States, therefore." Schmidt's budget-slashing passions emerged in other recent statements on the U.S. economy, in which he praised Paul Volcker's policy at the Federal Reserve as "paradigmatic," and described the Gramm-Rudman-Hollings bill as "still lacking teeth."

With a "Herbert Hoover" in the White House and the treason of the Socialist International in full bloom, one can see the reasons for the optimistic perspective for conquest outlined by Zagladin in *Die Wahrheit*. With "capitalism approaching the end of its historical road," Zagladin used the "historical materialist" language of the old Comintern to proclaim the advent of a new epoch in which socialism shall become a "world system." Already, he declared, "one-third of mankind has cut loose from the chains of capitalist exploitation. . . . Capitalism has outlived itself as a social model," and is increasingly taken over by "crisis phenomena."

But the crash of the Western economies also gives Moscow headaches. The Soviets' biggest worry is that the crash might hold many unpleasant surprises that would not suit their plans. Their comparison of President Reagan to Herbert Hoover reveals this. After all, a Herbert Hoover can be followed by a very different kind of American President, who would mobilize the United States for an industrial and military recovery.

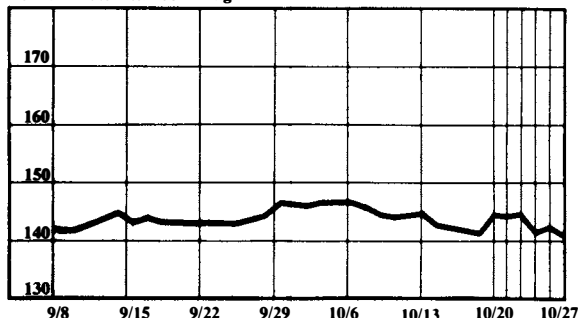
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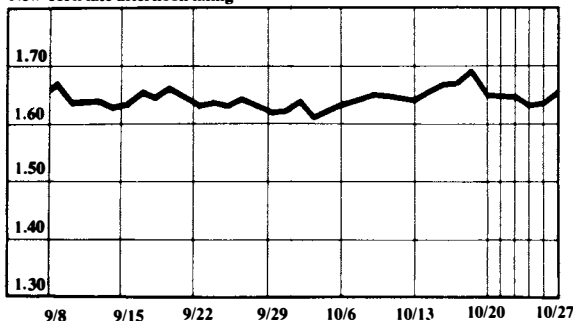
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