

Soviet upheaval triggers policy battle in West

by Chris White

The upheaval inside the Soviet Union has catalyzed a policy fight within the western nations about what should now be done. The fight pits those who insist that since the monetarist free market ideology espoused by the British and George Bush was the cause of the Soviet upheaval, that commitment should now be thrown into the garbage can, along with the Soviet communists and their political apparatus. Against this, the proponents of that failed "free enterprise" scam insist that what is needed is more of the same.

The eruption of this fight coincides with a deepening of the financial and monetary crisis within precisely those Western countries which have pushed the free market obscurities most obsessively.

Time for the 'Productive Triangle'

The fight creates new opportunities for the adoption of the world recovery program designed by jailed economist Lyndon LaRouche from the federal prison in Rochester, Minnesota, where he is being held a political prisoner of George Bush. In the winter of 1989-90, LaRouche designed the "Productive Triangle" program for European integration and a Europe-sparked worldwide economic recovery, based on developing transportation and other infrastructure capabilities in an energy-intensive, capital-intensive mode within the area bounded by Paris, Berlin, and Vienna, the core of the most productive section of the world economy. Then, LaRouche's proposal was stalled as a result of the insane insistence of Margaret Thatcher and her equally ignorant co-thinkers, that government involvement in economic development strengthens communism.

Now, the consequences of the free market insanities imposed since 1989 are coming home to roost, as typified by the upheaval in the Soviet Union, by the near bankruptcy,

massive unemployment, and social dislocation in Poland, and by the outbreak of war in the territory of the former Yugoslavia. It used to be a basic rule of thumb that without economic stability, through opening up the prospect of prosperity, there could be no political stability. Now it's time to take such to heart, and junk the idiocy of the policies associated with Harvard's Prof. Jeffrey Sachs. This is what is at the center of the fight which has emerged in Europe.

Germany has taken up one aspect of this. Beginning on Aug. 21, Chancellor Helmut Kohl and other members of his cabinet issued urgent calls for additional western aid to the U.S.S.R. Pointing implicitly at the United States, Britain, and Japan, Kohl, Foreign Minister Hans-Dietrich Genscher, and Chancellery Minister Seiters took the tack that developments ought to convince those who have so far been reserved, that reformers deserve support from the West. French Finance Minister Pierre Bérégovoy and Foreign Minister Roland Dumas have echoed this approach.

Industry leaders call for policy shift

It is outside the governments per se, and especially in the industrial associations of western Europe, that the uproar has broken out. Groups such as the German Federation of Industry and the German Chambers of Commerce have been outspoken, as has Italy's Confindustria and the French National Employers Association. Voices have been added from Britain's threatened industrial concerns.

Most forthright have been Mr. Pininfarina of the Italian Confindustria, and Sir John Harvey-Jones, the former chairman of British Imperial Chemical Industries.

Pininfarina, for nearly a generation now the world's leading automobile designer, told the Italian daily *La Stampa* July 27 that the time has come for Europe to rethink its

economic outlook. He argued that what he called American capitalism, which has seemed to be all-dominant, with its buying, selling, and mergers, has to be replaced with an industrial capitalist orientation of the kind exemplified by Japan. He said that the key issue which has to be dealt with economically is to organize investment such that the result is a real increase in overall productivity.

Harvey-Jones took up the cudgels against those arguing for the application of Adam Smith-style free market economics in eastern Europe and Russia in the London *Observer*, on the grounds that such policies "are likely to kill the patient rather than revive him." He supported the adoption, instead, of what he called an "industrial policy," based on the development of infrastructure, energy, and food resources.

Harvey-Jones wrote: "As far as I can see, we proffer an almost mystical belief in the ability of the market, and good old Adam Smith's invisible hand, to sort out and rebuild.

"A good dose of monetarism, mass unemployment, and reduction of living standards from the already grossly inadequate levels, induced by opening up to instant free world competition, will obviously rectify these economic crimes [of the command economy] and create a new squeaky clean world competitive manufacturing base," he said sarcastically.

Against this he prescribed: "What all these countries [in eastern Europe] need is help of the most basic kind from pragmatic, experienced managers who are not there for a quick buck, but will own the problems and stick with them. The other thing they need is anathema to free marketeers: some kind of industrial policy—at minimum directing scarce resources into priority areas.

"Plainly in the Soviet Union, oil production, distribution systems, and agriculture are the first places to try to help.

"All of these things require time, and an ability for manufacturers, economists, and politicians to work together with a degree of understanding and mutual trust for which there are few Western precedents. People cannot be expected to change overnight, or to learn new skills and values so quickly. . . . If we only apply the yardstick of world competition, monetarism, and economic pressure, we are likely to kill the patient rather than revive him."

The German Federation of Industry has taken a similar approach through its spokesmen von Wattenberg and Heinrich Weiss. They argue for the adoption of a policy based on infrastructure development, and have attempted to defuse the hysteria among ignorant U.S. bankers and others, around the question of the Soviet Union's more than \$60 billion debt.

In France, the Industrial Federation joined in, when its head, Jacques Perigot, began to attack what he called "the sleepy government" of François Mitterrand. He said that Mitterrand and Company had slept through the opportunities which had presented themselves in eastern Europe and were in danger of doing so again.

Alain Touraine, editorialist for the leading Parisian daily

Le Monde, took the same approach as Pininfarina. He wrote that the developments in the Soviet Union mark the end of what he called "hyper-liberalism." "Contrary to those who naively believed in the almost divine virtues of the free market and of the Invisible Hand, the Soviet coup and its defeat reaffirm the primacy of politics and ought to oblige the West to think once more about its policy toward the East." He recommended that the developments ought to be a lesson for Europe to move away from political paralysis and the decomposition of its political projects, to instead return to the great project of the creation of a European political community which should not be seen simply as one vast free trade zone.

The politicians have picked up on this refrain. Italy's former ambassador to the Soviet Union, Sergio Romano, has called for a 10-year program of infrastructure development for the Soviet Union. Germany's Social Democrats, through Egon Bahr and Hans-Jochen Vogel, have chimed in. Bahr asserted that infrastructure development must now be the priority, especially for transportation, communications, agricultural development, and trade. He stressed that the same mistakes should not be repeated as were made when East Germany was freed from the communists. Then, a plan for the development of infrastructure was put forward. It was blocked by others who insisted that government involvement in economic policy would only strengthen communist hardliners. The "others" evidently include Margaret Thatcher, who told *Newsweek* that the definition of a communist hardliner is someone who favors government involvement in industrial policy. Through Vogel, the SPD is recommending a multi-year, multibillion-dollar infrastructure development effort for the Soviet Union.

Ideologues scream

All this is in sharp contrast to the nonsense which continues to pour in from the ideologues, especially in the United States. Here, through mouthpieces like the Harvard pair Graham Allison and Robert Blackwill, authors of the so-called "Grand Bargain," the demand is to have the International Monetary Fund involved on the scene in currency stabilization, budget reduction, elimination of subsidies, and price de-control, exactly the recipe which reduced Poland to economic ruin. The crowd at Stanford University's Hoover Institution, which is working under former Secretary of State George Shultz, recommend similar radical free enterprise reforms. Sen. Bill Bradley (D-N.J.), a presidential hopeful who has not yet dropped out, also insists that before anything else, Russia and the other republics must agree to take over the Soviet Union's foreign debt.

This fight will be crucial in determining which way the human race goes. Russia faces famine and fuel shortages this winter. The free-marketeters' recipes will ensure chaos and a worsening of the economic crisis which grips the world. To defeat them, now is the time for LaRouche and his Triangle program.