

International Union of Economists; former prime minister of the U.S.S.R.), and Tatyana Koryagina (Russian Academy of Natural Sciences).

LaRouche's remarks, the centerpiece of the brochure, conclude with this perspective: "The United States [must] call together other powers, to set up corresponding international monetary reforms. . . . Russia has a very crucial role to play in this process, which is a political role, more than anything else. The combination of the United States and Russia, now as in 1945, with the cooperation of China and with the cooperation of other, lesser powers, which require the benefit of the same kind of development—we can change the course of world history, and get out of this economic mess. Now, the reason this possibly may occur, is because of the so-called force of Reason. None of us have any alternative."

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## Eyewitness Report

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### Lebed in Germany

*The following is an eyewitness report filed by EIR correspondent Konstantin George.*

Aleksandr Lebed, former chief of Russia's Security Council, spoke Jan. 15 at the Stadthalle, in Bonn-Bad Godesberg, as the guest of the German Society for Foreign Policy and the German-Russian Forum. News media accounts failed to convey the outline of a momentous potential shift in Russia's strategic outlook, which the past and future Russian Presidential candidate delivered. There were over 1,200 people in his audience, including prominent German economists and politicians. Lebed departed from his planned remarks, to give a briefing on economics as the core of national security.

He addressed "what has to be done in Russia, to improve its situation in the world," citing "an increasingly complicated world financial system." In Lebed's characterization: "There is the growing gap between the mass of goods and the circulation of financial paper, that can cause a world financial crisis, a cataclysm, and one cannot ignore this.

"Russia is at the point of no return, where the present rule by a criminal oligarchy, and the artificial cuts in the level of consumption, cannot go on without irreparable, irreversible damage. . . . To get out of this dead end, we need a new, more adequate system, to reinstitute social progress. In what direction shall we proceed?"

Lebed cited the assassinated early-20th century Russian Prime Minister Pyotr Stolypin, and turn-of-the-century Finance Minister and Prime Minister Count Sergei Witte, whose grand industrial design Stolypin's reforms partially echoed: "Russia has to proceed on the basis of the Stolypin reforms,

and the reforms of Witte."

As a "positive modern example," Lebed urged, turn to the "developments in the Asia-Pacific region, where they developed through their own strength, and not through IMF reforms. We must restore industry in its essential branches. When we recall how the West was built up after the war, it was through state regulation of the important branches of the economy, and this was the case even in the developed industrialized countries of the West. . . . For a certain time period, we need a state monopoly on foreign trade, with property guarantees for individuals. There must be a new methodology, of the state and of its leadership, for this transition period, otherwise we will not be in a position to survive the current unstable world. We must have an anti-crisis program.

"Close examination shows that stabilization of Russia is required, for Russia and for the world. . . . The state has to make the rules so that economic life can proceed. The state has to create a healthy *Mittelstand* [i.e., small and medium-sized firms], which we lack. The existence of a *Mittelstand* protects us from revolts, mutinies, and chaos. It is the *Mittelstand* which invests its money, and which risks its money. In Russia today, we have a very thin layer of the super-rich, and the many who've lost everything."

Lebed called for reducing the "state infrastructure," by which he means strictly the swollen bureaucracy: "The Soviet Union had a population of 270 million, and 18 million civil servants. Russia has a population of 147 million and 22 million civil servants," who are "always taking trips abroad, to gather experience and exchange views . . . mostly in the Canary Islands. We have to restructure and reorganize the state apparatus, by cutting it, and implement a reform of the Armed Forces. Now, I'm a general of the reserves, and I say we have to cut the number of generals. In today's Russian Army, there is a general for every two-and-a-half servicemen. As a general, I can tell you that the purpose of a general is to command a unit, and not to command two-and-a-half men."

Russia, Lebed insisted, needs "a working political center," because otherwise, "the Russian Federation doesn't exist, except as a thin flow of state finances. Russia must be held together; if it breaks up, that could lead to World War III." The key to recovery is the economy, since "politics and economics are one unit. They cannot be separated." Then, "we have to increase the attractiveness of Russia for those outside, to allow for safe and secure investments." One big problem is that the dollar has replaced the ruble in internal circulation: "I have nothing against the dollar, but . . . in your country, while you, too, have nothing against the dollar, the only legal internal currency is the deutschemark. I want the same thing for Russia, with our ruble. As President, I will ban the circulation of dollars inside Russia."

Russians "have \$25-27 billion in personal savings" (in dollars squirreled away); imagine what could be done if that were invested. "And look at what has left Russia in the last six years of capital flight. The estimates range from \$50 billion

to \$400 billion.”

“I believe, however, that national interests are closer than differences. . . . Russia must attain economic stability, and it must be attained within the entire post-Soviet sphere.” This can be done through collaboration with “America and Germany.” Being in Germany, he elaborated on the German-Russian aspect: “Germany is the number-two investor in Russia, and played a key role in [rescheduling] Russia’s foreign debts. Germany is our biggest trading partner in the West. For Germany, we offer new markets, including new raw materials markets. Russia is a limitless market. Of course, this requires investments, and, of course, that will not be without risk. However, he who risks nothing, doesn’t get to drink champagne afterwards. Russia must be given equality in international financial organizations.”

Besides projects inside Russia, “Joint German-Russian projects can also be set up in Asia and Latin America, for example, and we should have various joint transportation projects, including the construction of new airports and new railroad lines. Cooperation in the realm of transportation systems could be very interesting, as Germany has lots of experience, also in China, let us not forget.” There could be German-Russian projects for “the exploitation of raw materials,” “telecom and information technology,” and “joint space projects.” Germany and Russia could exploit the potentials of the Russian military-industrial complex, as part of “projects all over the world, using all the MICs for new priorities.”

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## Documentation

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### Academician Osipov on physical economy

*The Russian pamphlet, “Russia, the U.S.A., and the Global Financial Crisis,” is introduced by Academician G.V. Osipov, director of the Institute for Social and Political Research, Russian Academy of Sciences.*

*This is a translation of excerpts of Osipov’s essay:*

The Russian reader should be introduced to Lyndon LaRouche—a world-famous American thinker, economist, and politician, and U.S. Presidential candidate from the independent wing of the Democratic Party. . . . In his scientific writings and public appearances, L. LaRouche consistently exposes the mechanisms of “the free market” and “financial bubbles,” the functioning of which, he holds, underlies the national economic policy of a number of countries in the West.

Among L. LaRouche’s scientific discoveries are the results of his research in economic science. These are, in my

view, important both for the analysis of international economic relations as a whole, and for the solution of the problems of economic development in Russia and other newly independent states. . . . L. LaRouche himself considers the well-known German thinker Gottfried Leibniz to be the founder of physical economy, and he highly values the contribution to its foundation and shaping, by Russian scientists and activists: D.I. Mendeleev, V.I. Vernadsky, S.Yu. Witte. Regarding general methodology, Lyndon LaRouche defines physical economy as the science that studies how society’s duration of existence depends on success in the development, dissemination, and introduction of achievements in the fundamental sciences. . . .

The monetarist idea in economics is based on the principle, that economic science means knowledge of how to get rich. In contrast to that approach, L. LaRouche bases his conception of physical economy on the principles of natural law, which Nicolaus of Cusa (1401-1465) formulated as “the law of equity,” of each and all individuals, being capable of creative thinking. . . .

The doctrine linked with the names of D. Hume, A. Smith, and J. Bentham, prescribes man’s blind obedience to “original and immediate instincts” (hunger, thirst, lust, love of pleasure, avoidance of pain) and “freedom” of behavior from any interference on the part of natural law. . . . Economic liberalism took shape in the 19th Century as the ideological bulwark of British imperialism, in its struggle against the independence of its colonies. . . .

In practice, to ignore the principles of physical economy leads to the situation where reformers, having taken a monetarist posture, essentially try to “cure” not the economy, but money, i.e., an instrument that should serve the economy; but to absolutize money as the goal and meaning of people’s lives leads to the criminalization of society, the collapse of morality, the loss of the humanist meaning of life, and to what was so obvious to the genius A.S. Pushkin in “Eugene Onegin”: “Each bustles, tells lies double-time; O’er all—a mercantilist clime.”

Lyndon LaRouche’s views are quite widely known to the Russian scientific community by now. . . . I am deeply convinced that this exchange of opinions will help to advance on the difficult road of searching for effective solutions for Russia and the world community.

#### **Related articles in EIR:**

Aug. 25, 1995: Lyndon LaRouche, “The New Role for Russia in U.S. Policy Today;” Acad. D. Lvov, “Toward a Scientific Grounding for Economic Reforms in Russia.”

May 31, 1996: “Russia, the U.S.A., and the Global Financial Crisis,” transcript of Moscow round table; LaRouche, “More Nobel lies;” Sergei Glazyev, “Growth in a Transitional Economy.”

Nov. 29, 1996: Lyndon LaRouche, “Russia’s Relation to Universal History.”