

Develop the Entire Planet

Now, the problem of the New Economy is that 50% of the world population does not have electricity or telephones. This is quite a bottleneck to economic development. Therefore, in the absence of a world plan to allow the entire world population access to electricity, it is obvious that even the growth of the New Economy, as of any other sector, may meet certain limits in earnings potential of rich countries, because as far as the economic development of less rich countries is concerned, we know that the demographic growth rate often is greater than the rate of economic growth, and therefore, the average income is reduced. If a general plan for developing the planet is not made, it is obvious that we will continue to meet up with these problems.

Every once in a while, innovative products will emerge, innovative services which allow for compatibility between high profits and development, but most of the productive, real economy will tend to stagnate. In addition, the threat that ownership, desiring specific profit rates even in mature, non-innovative sectors, will impose production and employment cuts on firms, will obviously influence industrialized countries as well. This means, essentially, that free-market policies produced an increase in wealth in certain situations, even on the social level inside industrialized countries, but then produced either welfare systems (in general, one has recourse to this form of assistance, to contain the damages of free-market economics) or poverty.

Clearly, anything we say today about world development, and development especially of countries with lower income rates than in the industrialized sector, must face the problem of the environment and pollution. Now, it is clear that if we talk about an increase of world production at given technologies—that is, current technologies—then we will have a corresponding increase in pollution. But this kind of argument is radically wrong, because we have to consider that, in the context of a grand development project for humanity, the new technologies which will have to be introduced, to facilitate this development, will themselves be less polluting than those in the past. Think, for example, of what the world would be like today, from the environmental standpoint, if the industrial technologies applied were those of 50 years ago. Pollution would be much worse. Let us ask ourselves, for example, why automobiles, which have witnessed enormous improvements in technological standards, have not seen the same kind of improvement regarding reduction of fuel consumption. Because there were political interests of petroleum producers, interested in spreading the use of automobiles, and reaching increasing technological levels, but that saving fuel was not such an important factor. This example could be replicated elsewhere.

In the final analysis, the problem is to ensure that politics reassumes control, productively, and in the interest of the whole population, over technological development and over decision-making, to ensure that technologies are decreasingly

polluting, and that in all sectors, all possibilities are placed at the service of man, in order to reach the objectives defined by this seminar. Thank you.

Tatyana Koryagina

Current Condition of The Russian Economy

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Taking an unbiased look at the current condition of Russia's economy, raises more questions than answers. To make a joke about it, you could compare the situation in this problem area, with the rather prolonged silence of the Russian VIPs who were sitting on the podium in the conference-hall at the Davos World Economic Forum, after they were asked, "Who is Mr. Putin?"

The spectrum of assessments of the current period in the Russian economy is quite broad—from extremely pessimistic ones, to quite rosy. I would like to draw your attention to the most essential element. That is, the high degree of uncertainty, in assessments of the prospects for economic growth in Russia. The high level of the uncertainty factor, and therefore of the degree of economic risk, is caused by a whole array of domestic factors, as well as external ones. I shall indicate the most important of these.

The Uncertainties

First. There is still uncertainty about how, and in what order, the policy on debt-repayment will be designed. Prime Minister Mikhail Kasyanov stated not long ago, while he was in Italy, that Russia will make all its debt payments due this year on debts to Paris Club creditors (and, one would think—according to the government's logic—this commitment will also apply during the years ahead). It will, however, be quite difficult—not to say impossible—to secure approval from the State Duma [lower house of Parliament] for a "debt policy" of that sort. For the government's domestic debts are also substantial, and require prompt repayment. At the present time, protest actions are developing across the entire front of



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public-sector institutions: protests by teachers, doctors, workers in companies within the military-industrial complex, scientists, and students. These protests leave no doubt about the very great probability, that paying domestic debts (including wages and other funds owed to these people) will be given top priority, when the year 2001 budget is revised, and the budgets for 2002 and 2003 are drawn up. In light of this, new nuances are likely to appear in the credit and financial policy of the Central Bank, and in the area of investment.

Second. The uncertainty of the global economy, the world economy, further accentuates the uncertain prospects of the Russian economy. Above all, there is the uncertainty about the prospects of the American economy, as the main unit of the global economy. Even just the monetary and financial crisis, which has struck the economy of Turkey, had a strongly negative impact on the share prices of leading Russian companies (the so-called “blue chip” stocks). The fall of share prices on the Istanbul exchange was accompanied, almost like in reflection in a mirror, by the collapse of Russian securities prices on the Russian stock market. If the American economy is officially recognized to be in a state of recession, a dollar crisis will inevitably break out in Russia. The enormous role of the dollar as a means of payment inside Russia, is well known. A devaluation of the dollar in the United States itself, will cause a chain reaction in Russia, looking something like the proverbial “ninth wave”—the one that sinks the ship.

Let me now elaborate, more concretely, the points indicated above.

Let us take the statistical evaluation of the economic results in the year 2000. The data from the State Committee on Statistics of the Russian Federation look quite inspiring. A record rate of economic growth was achieved last year. The leading sector for economic development, among all branches of industry, was light industry, with a growth rate of 25%, as against 9.2% growth in industry as a whole. Machine-building recorded production growth of 15.5%. Total output in the manufacturing sectors of industry grew more rapidly, than in the extractive industries, which was largely made possible by the effect of import substitution, which followed the default [on GKO ruble-denominated government bonds], experienced by the Russian economy in August 1998. For the first time after many years of decline, we recorded growth of investments—by over 17% in 2000, compared with 1999. Moreover, there were significant changes in the sectoral structure of capital investments. There was an overall increase in the construction of industrial facilities, within which the highest growth rates occurred in the construction of facilities for the raw materials sector, and in the food-processing industry. Facilities were built for processing natural gas, for mining coal, and processing lead and zinc ores. Nothing like this has happened in construction, during prior years. In rural areas, there was intensive construction of poultry-processing plants and poultry-raising facilities. The rate of construction for the retail trade and public dining facilities, more than doubled. Total investment in the Russian economy reached the level of 1.2 trillion rubles. With that money, significant payments were made for starts on construction, which carried over into the year 2001. Thus, significant investment growth points have already been created for this year, which will make it possible to soften the potential “hard” landing of the American economy.

Reasons To Doubt the Optimistic Forecasts

These and other major elements of Russian economic development during 2000 are the basis for the optimistic forecasts. But, to our great misfortune, last year did not bring any fundamental changes in the welfare of the population, or improvements in the social sphere. The population’s real disposable income grew by 9.1% last year, but that did not compensate for the huge losses, which the population suffered as a result of the collapse of the ruble in August 1998. Rising inflation on the consumer market plays a significant role in the intolerably slow increase of the living standard for Russian citizens. The consumer price index rose by 272% in the period from the [August 1998] default until Jan. 1, 2001. During that period, wages of public-sector employees were indexed enough only to permit a 1.8-fold [180%] increase in wage payments. The indexed growth of pensions was a little bit higher, 200%, but it did not entirely compensate for the jump in inflation. Inflation began to accelerate, once again, this February.

Among the problems, which had a negative influence on

the quality of economic growth, there could also be mentioned the obsolescence of our productive plant and equipment, the retirement of fixed assets without replacement, and many other elements. This state of disequilibrium in the economy gives rise to serious doubts about the optimistic forecasts, and should make one pay closer attention to events taking place

in various sectors of Russia's economy, and to the positions of the Russian political and economic leadership, the legislative branch, and the population itself. The disposition of political and economic forces in Russia may become absolutely unpredictable, especially in light of the world monetary and financial crisis, which is already quite palpable.

Lyndon H. LaRouche, Jr.

The FDR Economic Recovery: Precedent and Practice

The following is the advance text prepared for delivery at EIR's conference in Berlin on March 5.

As we plunge into the worst global financial crisis in more than a century, only among those three national powers which were principal victors of World War II, the British monarchy, the United States, and Russia, do we find the historically defined, cultural temperament needed, to lead the introduction of a desperately needed, new world economic order for the planet as a whole. Only in two of those three, the U.S. and Russia, do we find any inclination among leading political institutions, to look back to the successful U.S. recovery policies of the 1933-1945 Roosevelt era, and to the 1945-1965 reconstruction of western Europe, as the basis for challenging the rampant follies practiced under the present IMF and World Bank systems.

Otherwise, among the NATO members of continental Europe, there has been, heretofore, a prevalent disposition to capitulate, however reluctantly, to policies situated within the post-1989 conditionalities, such as "free trade" and "globalization," which the presently incumbent Anglo-American authorities may choose to dictate to the planet as a whole.

Inside the U.S. itself, despite the efforts of my own and some other leading Democratic Party circles, to prevent such a catastrophe, there is, realistically, the increasingly awesome likelihood, that the present, Bush, administration, like the *Ozymandias* of Shelley's famous poem, might be stubbornly doomed to a self-induced, early, imperial disaster. Certainly, only madmen within the U.S.A. would wish such a catastrophe to occur, but only wishful thinking would mislead any leading circles, in any part of this planet, into believing, that a self-inflicted doom of the present U.S. administration is not a probable, catastrophic outcome at this present moment.

Meanwhile, among those inside the crisis-stricken U.S.A., and, to some degree, Russia, who see an onrushing

global financial collapse now in the making, there is an historically deep-rooted, and commendable tendency, to think about the present world financial catastrophe, in terms of the contrast between the Franklin Roosevelt legacy and the contrary U.S. economic policy-trends of the past thirty-five years. Such views are also to be found today in western continental Europe.

For those and related reasons, for the foreseeable period ahead, the 1933-1945 Franklin Roosevelt recovery in the U.S.A., and its application to post-war cooperation between the U.S. and western Europe, represents *the only workable recovery policy with any chance of being adopted as a leading legal precedent for that quality of cooperation which might provide a timely response to the presently accelerating world financial collapse.*

Therefore, if the United States were to come to recognize, that it must reverse its current policy, and must prepare to cooperate with leading nations of Eurasia, in launching a recovery based on the principles which account for the successes of 1933-1965, the combination of the U.S.A., continental Europe, and keystone nations of Asia, would represent a sufficient basis for bringing about the kinds of reforms which are now urgently needed by this planet as a whole. There is, presently, no other happy option available to this planet as a whole.

Admittedly, the recently installed U.S. Bush administration, seems absolutely determined to go in directions which are, chiefly, directly opposite to what I propose. Granted, that administration might maintain its present track in policy-making, up to what would be an extremely bitter end for the world at large. As the institutions of the U.S. will now experience more and more onrushing crises, far worse than they would presently believe possible, the present U.S. government attitudes might be changed, even suddenly. That change, if it is to occur, will either come soon, or the worst