

a recovery would include a review of the positive relations developed with India, China, Russia, Japan, and the Middle East during the 18th and 19th Centuries. At that time, the United States operated quite comfortably within a multipolar and multicultural international society.

I would point out to our friends here from India and China, that our commercial relations with both India and China both began in the year 1784. And thanks to our French friends in India, we were able to negotiate for commerce in Pondicherry, in that particular time — so it was through our French friends, rather than our British rivals.

The first commercial voyages abroad after the War of Independence and Revolution were to China and India in 1784. The first American ship to reach India in this era was the *United States*, which cleared Philadelphia on March 24, 1784 and reached Pondicherry on Dec. 26, 1784.⁸ Trade with Russia reached back as far as the days of Peter the Great, when Virginia tobacco was sold via London.⁹ During the same era, in the Middle East and North Africa, relations were established with Morocco and later with Oman. Constructive commercial and cultural relations were further developed in the Middle East during the 19th Century.¹⁰

We can only imagine how shocked George Bancroft, and many other great Americans of the past including President John Quincy Adams, would be by the depravity of the present Bush Administration, by its neo-imperial policy, and by its reckless disregard for not only international law, but for the long term national interest of the United States itself.

Hopefully conferences such as ours today will provide a basis for a continuing dialogue among cultures and for the construction, in the tradition and spirit of Westphalia, of an international system concerned with the peace and progress of the sovereign states that comprise it. In this regard, I might mention one example of international cooperation, which sometimes people do forget, is the level of scientific cooperation that's been achieved with Antarctica. And that was even at a time during the so-called Cold War.

Thank you for your kind attention.

8. G. Bhagat, *Americans in India 1784-1860* (New York: New York University Press, 1970), pp. xxiii-xxvi.

9. Alfred W. Crosby, Jr., *America, Russia, Hemp and Napoleon. American Trade with Russia and the Baltic, 1783-1812* (Columbus: Ohio State University Press, 1965), pp. 2-3; Benjamin Platt Thomas, *Russo-American Relations 1815-1867* (Baltimore: The Johns Hopkins Press, 1930).

10. George Antonius, *The Arab Awakening* (Beirut: Khayat's College Book Cooperative, 1955); E.A. Speiser, *The United States and the Near East* (Cambridge, Mass.: Harvard University Press, 1947); William R. Polk, *The United States and the Arab World* (Cambridge, Mass.: Harvard University Press, 1965); Hermann Frederick Eilts, *A Friendship Two Centuries Old: The United States and the Sultanate of Oman* (Washington, D.C.: Sultan Qaboos Center, The Middle East Institute, 1990); W. Morgan Shuster, *The Strangling of Persia* (New York: The Century Company, 1912).

Prof. Stanislav Menshikov

Future Prospects for U.S.-Eurasia Relations

Professor Menshikov, doctor of economic sciences, is affiliated with the Central Mathematical Economics Institute of the Russian Academy of Sciences and is co-chair of Economists Allied Against the Arms Race. He is the author of major works on the world economy and the Russian economy. He was introduced by Jonathan Tennenbaum, who opened the panel on Jan. 13 with reference to Johannes Kepler's revolutionary thinking about astronomy. Here is Prof. Menshikov's presentation. Subheads have been added.

I want to start with saying that seminars like this, or conferences which I attended before, are always — for me, personally (I don't know about others), a source of inspiration. And I am thinking not so much of stars, at this moment, but of what is happening in today's world. The world is full of discussion of what's going to happen with the dollar and all this discussion is, of course, at a very low level.

That's one reason why I took my stick and came here, because I knew that here, the discussion would be at a high level — or at a deep level (whichever way you want to look at it). And so it is. And it is, in two respects.

Rethinking the U.S. Situation

Before I go to the "scholarly" side of it, I want to say, that for me, some of the discussion here was an eye-opener, about the political activity of the LaRouche movement. Some of you were present yesterday, remember when I first spoke, I came up and said, "Look, I'm a pessimist, because I don't see that anything is going to change in the United States. I don't see those changes coming. Now that Lyndon is not going to run any more for the Presidency, I don't see any chance for any great changes."

And then, listening to what happened after that, particularly to Jeff Steinberg's intervention,¹ I really understood what the movement was doing today. And I think it is extremely important, that people around the world know more about that aspect of it. Not just about the scientific aspect; not just about the in-depth analysis of what's going to happen, with the dollar and the world economy — and of course, with the world politics, geopolitics, and so on.

But also with what is being done now, to make George

1. See *EIR*, Jan. 28, 2005.

W. Bush a lame duck, very soon after he became President for the second term. And what Jeff was saying yesterday, particularly, about the youth movement—but also about the other things, like the real meaning of the “Gonzales case”; because I was kind of skimming through the newspapers all this time, and I quite frankly didn’t understand what it meant, in a deep sense, a political sense. And now I do, and I think it’s very important.

Now, being a pessimist, I do recall what happened at the time of the Vietnam War. I remember arriving in the United States, at the beginning of the war, or when it was just starting, and talking to young people then, and all the young people, with their hair cut very close to their skin and everything—the old way, you know; not the long-haired people who appeared a couple of years later—they were all very “patriotic,” talking about the Vietnamese: “These are bandits, these are terrorists who have to be eliminated.”

And then I came back in a couple of years—what has happened? A form of revolution, of the young people. I came to Princeton, and Princeton University is not exactly a left-wing place—and what I saw there was a real revolution of these young people who were there. And I remember, Herbert Marcuse came there, in the big auditorium, and was talking as if he was a Marxist, you know—“production relations,” “productive forces.” And the young people sitting there with their mouths open, listening to this—for them, this was a prophet, that spirit. It all happened within a few months, or a few years at that time.

So, if we now see that there’s a beginning of the youth movement in the United States, I think it’s very important. Look, it is the *youth*—including the middle-class youth, and even part of the lower elite part of the youth—who really tipped the scales and made the United States to bring about peace in Vietnam, finish the war, and take its forces out. And that was a big change, and of course, not just in terms of geopolitics, but also changing the U.S. society at that time, giving hope for the future.

So, what LaRouche is doing today, and what the LaRouche movement is doing today, I think is extremely important. But, as people said yesterday, more information has to be brought about it around the world, because we know very little about it, due to the kind of media we have—and we talked about that. I think that’s one point that’s giving me a lot of inspiration.

The Economic and Financial Crisis

The other one, of course, is the dollar crisis, and the falling apart of the financial system. Here, I want to bring you back to one of the basic economic truths that Lyndon LaRouche has been propagating for the last decades: that there’s a monetary side to it, and there’s a physical side to it. So, when we were talking yesterday about the dollar, for various reasons, we were discussing mainly the monetary side of it, the mone-



Dr. Stanislav Menshikov: “I took my stick and came here, because I knew that the discussion would be at a high level.”

tary-reform side.

But, what does it mean in physical terms? In physical terms, it means—well, to bring you back to the two deficits: the internal, Federal deficit, and the external deficit—which are the immediate causes for the recent fall of the dollar. But, what do these deficits mean? They mean that the United States is living beyond its means; that it is consuming more than it is producing; consuming more *physically* than it is producing. And it is spending more, than it is *earning!* And that means that it is living in debt—not just in money terms, but that means that it has been, for quite some time, living at the expense of the rest of the world—beyond its means. When you live beyond your means, you’re living at somebody else’s expense. The United States has been living at other countries’ expense.

Now, how was this possible? Was it always that way? Not necessarily. Immediately after the Second World War, the United States was not a deficit country. It was not a debtor country. It was actually the largest creditor country in the world. It was a country that exported billions of dollars of capital to the rest of the world. It was a country that was, in the Marshall Plan, giving a lot of aid to other countries. Now today, if you look at it, it’s a net debtor, not just in the sense that it has accumulated the debt, but that this debt is increasing every year. It’s living in debt *every* year.

And so, the conclusion is, that one can not really solve the monetary issue, without solving that basic underlying imbalance that exists, not just in the United States economy, but in the world economy, because the U.S. is a major part of the world economy. And the basic imbalance of the U.S. economy, means that there’s a basic imbalance in the world economy. That has to be solved. And I think LaRouche has

to be complimented for pointing us to this particular aspect of it.

Going Beyond Geopolitics

Now, yesterday, I was particularly struck, also, by the intervention of Professor [Hans] Köchler from Austria, who reminded us about the fact that the breakdown of the bipolar world—and that, of course, the end of the global confrontation between the two nuclear superpowers—brought about the end of the big influence in the world of the Arab and other Third World countries. He was stressing that point. Why? Because, the other pole, which means the Soviet Union, was a source of attraction to (and support for) those countries, and they had the objective—so to say, not just material, but also other support from that other pole of the world.

I would like to remind people that that the bipolar world was not just a geopolitical reality. Helga was right in saying yesterday, we have to go beyond geopolitics, because that's not the most important side of it. It was not just confrontation between two superpowers, in the sense that these are nuclear superpowers. It was a much longer confrontation between two systems, two social systems. One of which, usually people call the "communist system," but I prefer to call it the "socialist system" or "centrally planned system"; which was the alternative to the market system, that *broke down*, actually, in the '30s, at the time of the Great Depression.

But the social system continued to exist, and continued to show a different way, a different alternative to the world. And we talked today, about the fact that in the 1990s it imploded, it broke down. But for a long time, it was a source of inspiration for the whole world. Actually, elements of socialism crept into the capitalist system, into the pores of that system. The welfare state was nothing else—I mean, it was other things of course, but it was also an attempt to give a reply, to answer the challenge of socialism or of communism.

And many other things were responses to that challenge: Remember, Kennedy said, initiating the lunar exploration program—why did he do that? Did he need to occupy the Moon? Was he looking for weapons of mass destruction there? Or for Saddam, hidden somewhere or other? No, of course not! Man in the Moon; Saddam in the Moon. No—of course not! That was an attempt to overtake the Soviet Union, that took the initiative in space—*suddenly*, being far back generally, economically and technologically, but it suddenly came forward, with the *Sputnik*, with Gagarin and the *Sputnik*, and everything, and that was a major challenge. This was not simply technological.

I was active at that time, as an author, already, and a journalist, and I visited the United States, and I found a *very deep* impression that it [the Soviet space program] created. Why? Because this was a system that was challenging capitalism, and the most developed country of capitalism, in a very important way.

Now, what happened when the bipolar world fell apart?

With the falling apart of the Soviet Union, it was an end to that particular situation, and now, for the first time in many decades, the United States as the leader of the so-called "free world," found itself in a position to dictate its will, without being really contested by anybody. That's the new situation.

And, coming into that situation, the two deficits suddenly became extremely important: I mean, the end of the bipolar situation led to the basic imbalance in the world economy. I don't want to go into this in detail, because I think it's really rather obvious. Because those two deficits appeared before, they were there before, but in a small way. They became important in a big way, and this physical discrepancy became important in a big way, as the years of the unipolar world went on.

And, when we say that we have to think more about changing this basic imbalance, that also means that we have to go back to the multipolar world. It doesn't necessarily need to be a bipolar world; but, it has to be a multipolar world. Because Mr. Putin is also saying what I'm saying, but I don't think he means exactly what I mean. And I don't think he's doing much to bring about that multipolar world.

But, I think that's the future, because, if you're talking about the United States versus Eurasia, the idea of the Eurasian Bridge, what is it? It's basically the idea of a multipolar world; it's the same thing. It's a situation in which *both* the United States *and* Eurasia, are important, and they work together, they cooperate. They're not confronting each other. It's not the Bush idea of taking over Eurasia, but the new idea, the LaRouche idea of cooperation between those two big systems. Not the communist system, but the other system, because Eurasia is *not* the United States. It's different from the United States, and in itself, it's a multi-faceted society.

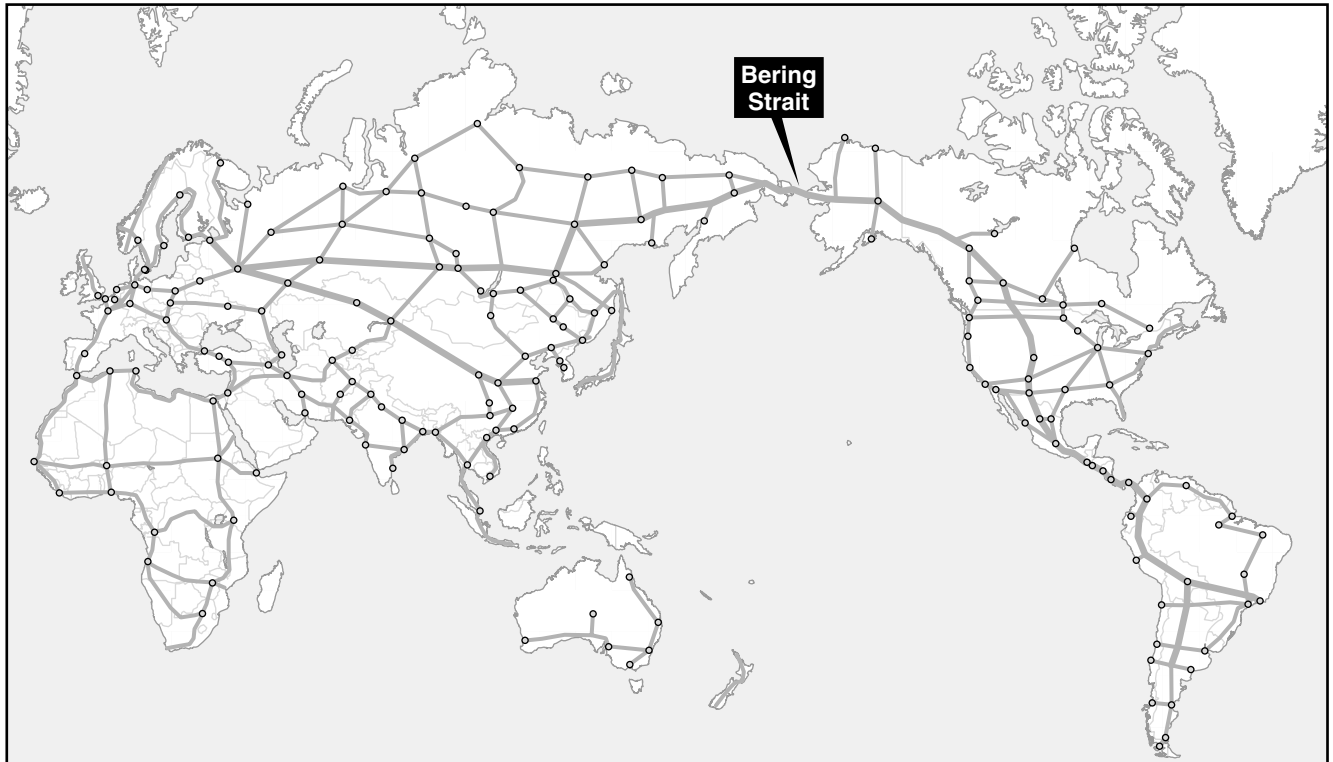
And, another source of inspiration is the program, or the package so to say, that Lyndon LaRouche is developing for the future. Well, of course, he's a realist, and says that this can only come with a basic change in the governments of sovereign nations, and I agree with you—yes, the governments have to be different. They have to be changed.

But, what are the essential parts of this program? Some of these elements I heard for the first time here, so I'm thinking in that direction. Because, before that, we were always hearing from Lyndon, that the basic thing is the New Bretton Woods system, right? That's the monetary system, a basic change in the financial system in the world—and I agree with him! That is a very important area.

What Kind of Raw Materials Cooperation?

Now, he has added to this, two elements, one of which—so to say—he threw in without discussing it, basically, in a large way, and I think we should think about that, maybe already bring in a few ideas. And that is, the deal on resources, natural resources. It's a very important thing. Because, yes, of course, some nations are endowed with a lot of natural resources. Others don't have that. And, one of these nations

The Eurasian Land-Bridge: Proposed Links to a Worldwide Rail Network



This sketch by Hal A. Cooper illustrates Dr. Menshikov's point about a multipolar world: "It's a situation in which both the United States and Eurasia, are important, and they work together, they cooperate. They're not confronting each other."

that can not live without outside resources is, in fact, the United States. And one of the sources of their expansion in the world—so to say, in the Bush way—is, of course, being sure the United States is not cut off from oil, or other sources of energy in the world. And that brings it over into the Caspian area, and plans for the Caspian area; it brings it, once again, into the Middle East, which has been, of course, attempted already in the 1920s, immediately after the First World War; but not in a big way because the British and the French were around at that time.

But, so, it is a United States problem. Energy, the energy problem, *is* a United States problem. And many people who are talking about the new relations between Russia and America, in terms of the partnership and so on, are also thinking that Russia will become part of this "energy bridge," so to say, and be a new source of energy for the United States.

But, I don't think that's exactly what LaRouche means, when he's talking about an energy deal, or a raw materials deal. Because, that's a kind of a one-way approach; that's an approach from an American side, as seen through American eyes. Now, if you look at it from Russian eyes, you see a different situation, because, at the moment, as Russia sees it, exports of oil and gas are an additional source of growth

and prosperity for Russia, as a source for reconstructing and resurrection of Russia as a major power. And there are crucial national interests involved there.

So, I think this idea needs development. You just can't simply agree to divide global natural resources between major powers. On what basis? What would be the basis? Does this mean that Russian resources, also Middle East resources, the resources of other countries, will be a kind of an object of a deal to divide, spheres of interest, so to say? A new kind of world cartel, dividing those resources, in the interests of a few nations? Or what kind of agreement will that be? I mean, we have to bring a bit more concrete substance into that idea.

I support it. I think it's a very important thing, because raw materials and resources have been sources of war and friction between countries, so it *has* to be solved. It has to be solved. But, one has to develop this, in the way that LaRouche developed the New Bretton Woods system, and we have to develop, also, this idea.

And the second idea that he brought in, part of the program, and I think it's very important—but he did it "on the way," so to say, yesterday, in one of his comments: And that is, the deal for major investment projects in the world, for 40-50 years ahead, to bring up the world economy. We can call

it a physical investment, or capital investment deal. And that, again, needs an international agreement between sovereign nations, in any case.

And, it is, as we saw yesterday, very deeply connected with the dollar situation, and with the suggestions for solving that situation.

An Economy of ‘Compassion’

I would just enumerate a few additional things that, perhaps, could also be added to this program. Now we have three elements: the monetary system, the resources system, the global capital investment system. And we know what’s behind all those things.

Now, I think we should add a few points. One point: there has to be a major change in economic policy. We talked about that, so to say *en passant*, yesterday. Which means that we have to, first of all, put a big cross over the current economic policies, of what are called “neo-liberalism,” or “liberalism,” which really means minimization, or bringing to a minimum, the role of the state, the role of government intervention in the economy. The dogma of that, that the market is the god—what LaRouche, yesterday, was talking about.

The market economy, as he explained it, is a myth in many ways: this idea, that this is a system that brings the optimal solution to all problems. No, it doesn’t. And, in fact, the greatest economies of the last centuries have shown, that it does not necessarily bring an optimal solution, and even the optimal solution is not the optimal solution for everybody. And he said, the real economic system of the future, is the system which is looking for the truth. And, Helga added, “and love.”

Well, I’ve been a proponent of an economy of *compassion*, using some of the ideas of Buddhism. Compassion, instead of putting the profit motive as the *basic motive* for the economy. Not just the profit motive, but *maximization of utility*, for example. This is really saying—this is another way of saying that the basis of human existence is greed; that the main aim of existence is greed. And LaRouche, yesterday, said, “No. That is for the apes!” So, you could call the “market economy” as the “ape economy.”

And “human economy” is a different economy. It isn’t there, *yet*. The communists tried to do something about that. I mean, they had a noble idea—which of course, was destroyed by the gulags and other things.

So, this still has to be developed, but, one point, one way of developing, is of course, crossing out the neo-liberal economic policies of today. And, of course, that doesn’t mean that Bush is following neo-liberal policies. When he wants to increase expenditures, he’s a Keynesian, so to say—a “*bastard Keynesian*,” same way as any other. Well, the “bastard Keynesian” is a term that I didn’t invent. . . .

Reagan was also a bastard. Look at him! The so-called “Reagonomics”—what is the source of that? He said, “Balance the budget,” right? Did he use a balanced budget? No! He increased military expenditures, and the budget went into

tremendous deficit for the first time. And that helped raise the economy of that time. Nobody blamed him for not balancing the budget. Why? Because, you know, when the economy surges, everybody has a job, and companies have profits, and nobody blames the government—that’s a nice policy.

Now, today, in Europe—as LaRouche, again, yesterday said, they’re stuck in this stupid Maastricht agreement. Well, but remember, we’re sitting in Berlin, right? Germany was the proponent of that system. Why? Because it looked at Italy, it looked at the other currencies, and it was afraid that those countries in the European Union would bring down the common currency, and they would be a source of destabilization. That was the idea. That’s where the Maastricht agreement came from. That’s where these limitations on deficits came from.

But, today, when the European economy is in a prolonged depression, the situation is absolutely different: You can’t stick to that Maastricht agreement. And poor, lazy King Chirac, as yesterday, [Jacques] Cheminade called him—it was he who called him, I think. [from the audience: “*le roi fainéant*.”]. Yes, well “lazy king,” was the way he translated it. So, poor Chirac says, “Well, you know, we kind of have to rethink Maastricht, tra-la-la.” But, they don’t have the political will to say, “Well, look, this is the time.”

And they’re listening to the stupid Prime Minister of Holland, who, in Holland, everybody is ridiculing for his policies—who said, “no, no, no, no.” Because, at the back of Balkenende, who is the Prime Minister of Holland, is what you would call the “right-wing conservatives” and what they call the “neo-liberals”—what is “conservative” is called “liberal” in the Netherlands.

Lyndon LaRouche: “Liberally conservative.”

Menshikov: Right. No, liberal! Mr. Zalm [Deputy Prime Minister and Finance Minister] who sits there, and says “No, no, no, we can’t do that, because that’s socialism. No, no, no, you can’t have a deficit!”

What you mean, you can’t have a deficit? The U.S. is living on deficits! But Netherlands said, “No, no, we can’t.”

So, there’s no political will in Europe to change that. And poor Chirac and poor Mr. Schröder are following that particular path, and preparing themselves a *grave*, social crisis.

And, that’s what’s happening in the world. Okay, so, the economic policies have to be changed, and that’s not just in the United States, it’s worldwide.

Two other things, we completely forgot to talk about. One is arms expenditure: This has to be brought down! Consider the enormous waste that is now being performed, by using how many trillion dollars or more on armaments, unneeded armaments? What are these armaments for? For crushing poor Iraq? You would need much less—you don’t need that enormous military budget, or whatever they’re spending for that purpose. That is not needed.

And I am co-chair of an organization called ECAAR-Russia: “ECAAR” is Economics Allied for Arms Reduction,

that's a worldwide organization, with affiliations in the United States and other countries, and we have been promoting this idea for a long time. But, of course, nobody in the Bush Administration really is listening to us. And, they have been trying to crush down this movement. But, anyhow, I think that the LaRouche movement has to take a position on arms reduction: Because there's a lot of stuff here, that has to be just wiped out. It's a big waste of economic resources—in the world, not just in the United States, but around the world. And a source of danger, of course, to security.

And then, LaRouche yesterday was talking about this tremendous financial cancer, in terms of short-term forms of various financial paper—like . . . financial derivatives. That really is a recent development. And he quoted the figures, and these figures are really true. What is it? Twenty or 30 times larger in the world, than the world GDP, right? And, that's a cancer! That is one of the cancers of today's world economy. And it's not just stupidity. It's not just a mental case. This is brought about to prolong the major imbalance in the world economy, and also make the financial oligarchy of this world continue deriving its riches.

Now, something has to be done about this, and there have been various suggestions. We haven't explored any of these, but I think we should. There's been a so-called "Tobin tax" proposal: a tax on all financial speculative deals made in the world. So, whenever a bank changes money, and they change money not because they're serving the clients but because they're speculating, they're playing with the market, they have to pay a tax.

Of course, this was discussed, never accepted. But there has to be a program to curtail financial speculation. Whether it's a Tobin tax, or some other tax, I don't know—it's not important. That is one way of driving the resources out of speculation, into physical investment, and investment in real physical, productive economy.

Well, I've been talking too long, but one reason is, that there are very many ideas that are worth, I think, discussing, and I thank you very much for giving me the chance to express these ideas—in addition to all the other ideas that have been expressed here, which are very informative and worth thinking about. Thank you very much.

Dialogue

Here is some of the discussion that followed the concluding seminar panel, on Jan. 13.

Some Positive Features of the Soviet Era

Dr. Yuri Gromyko: [somewhat paraphrased] I have a question to Mr. LaRouche, because it's very important, for the implementation which Mr. Menshikov put on the table. It's exactly the problem of decolonization, decolonizing efforts, including by the Soviet Union. Because Lyndon

LaRouche stressed yesterday, that exactly FDR's initiative was directed against the British, his decolonizing efforts. But then Roosevelt died, it was the Truman period. Also Stalin died.

But also, the Soviet Union made a tremendous effort to organize a real decolonizing initiative. Not only an ideological pocket-game. Because, for example, we have the University of Peoples' Friendship. The main target of this university was exactly to develop scientific people, to develop new industry in the Third World, and there were tremendous efforts to achieve some of this. And it was exactly connected to the sovereignty of nations, you see, because it was necessary to develop educational institutions in the Third World, independent from the British, from other countries; industry, and also science.



Dr. Yuri Gromyko

And it's really important, because it is well known from Immanuel Wallerstein's argument, who exactly said what Professor Menshikov said. He said, that exactly after the collapse of the Soviet Union, there is a different possibility to do something in the world. Desperation in the Arab world appeared, because there had been huge assistance from the Soviet Union.

So, I guess it's very important also for the position of the Russian side, if we are going to have real sovereignty in Russia. We have, till now, in my opinion, the African Institute, South American Institute, Arabic Studies Institute—we are the best experts in these fields. And there was such an idea that it's necessary in the Third World to develop independent industry, science, education, to help these countries to become sovereign countries.

Also, will you speak about the pattern of the so-called American economy? Three key elements of this economy: the first, state central bank, not privatized; long-term investments, the possibility to have long-term investments; and the possibility to plan social development of the common good, the possibility to have social infrastructure.

It's exactly the very important element of so-called "socialism" and "social economy."

So, what's your understanding of the difference between the so-called pattern of American economy and socialist approaches?

Thank you very much.

Global Cooperation in Raw Materials

Lyndon LaRouche: Let me talk this out, because there are several things—Professor Menshikov also introduced some questions which he wanted some answers to. And we