

Conference with a Group of Russian and Foreign Experts Regarding the Current Economic Situation in Russia.”

On the evening of June 28, LaRouche delivered a

[lecture](#) on the Russian-Ukrainian scientist Vladimir Vernadsky before 150 scientists at the Institute of Physics of the Russian Academy of Sciences, also known as the Lebedev Institute.

June 29, 2001

LYNDON LAROCHE TO THE RUSSIAN DUMA

Policy Changes Needed To Overcome the Collapse

This is the testimony of U.S. Democratic Presidential Pre-Candidate Lyndon H. LaRouche, Jr., to the Russian State Duma's Economics Committee in Moscow on June 29, 2001.

Presently, the world as a whole is dominated by the fact, that we are in the end-phase of the IMF system, at least as it has existed in the form it developed following U.S. President Nixon's introduction of a so-called "floating exchange-rate" monetary order in mid-August 1971. Contrary to some hysterical propaganda coming out of the now deeply troubled U.S. Bush Administration, nothing can save the present world financial and monetary system in its present form.

A continued refusal to accept certain necessary, sweeping reforms in those systems, would bring about not only an economic catastrophe worse than the worst period of the 1930s economic depression. The present crisis, unless it is stopped by drastically needed reforms, will also be a demographic collapse more or less comparable to what is called by historians "the New Dark Age," which dominated Europe following the Fourteenth-Century bankruptcy of the so-called Lombard banking system.

Therefore, to speak of any economic policy which does not include an early and sweeping reform of the IMF system, is worse than a waste of time.

We can overcome this collapse, but only if we are able to bring about a certain degree of international cooperation around four general intentions. The four essential classes of sweeping changes in the existing monetary and financial system, are as follows.

Changes That Must Be Made

1. The total accumulation of indebtedness in the world today vastly exceeds the amount which could ever be repaid under existing terms and conditions of repayment. If either the creditors or debtors wish to survive, much of this indebtedness should be simply cancelled, as without merit. This includes what are in fact purely gambling debts, called financial derivatives.

What remains of morally legitimate debts, should be reorganized, in both amounts and terms, in the degree such reorganization is an essential precondition for sustainable physical-economic growth in per-capita output. In this reorganization, we must follow the advice of former U.S. Treasury Secretary Alexander Hamilton, in insisting that the honorably contracted part of the nation's official debt, must be defended, as a precondition for its power to create new credit in the future. The principal amount of all other debt is negotiable under the conditions of a world crisis as disastrous as the present one.

2. As a practical political measure, the revision of the international monetary and financial systems must incorporate the best features of the 1945–1958 cooperation between the U.S.A., Western Europe, and Japan. This must be a vigorously protectionist form of monetary and financial system, solidly based on true partnership among perfectly sovereign nation-states.

3. This reorganization of the world monetary and financial systems must be based upon the use of large-scale, long-term cooperation in infrastructural development within, and among nations; and heavy emphasis upon adopted targets of scientific and

technological progress. The pivot for world economic growth, should be a new system of transcontinental cooperation among the sovereign nation-states of continental Eurasia.

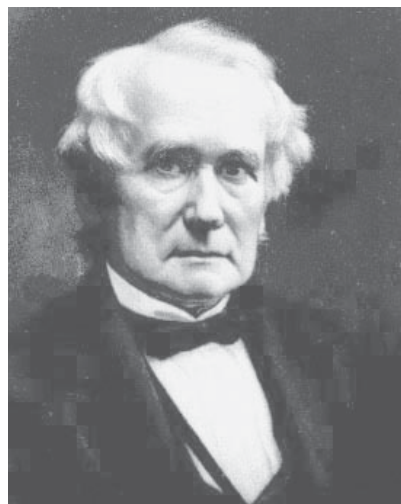
4. Those regions, within and among nations, which can generate “fountains” of scientific and technological output to regions which are deficient in their available supply of such technology, must be envisaged as the suppliers of, not money-loans, but long-term purchasing credit, at nominal borrowing-costs. Continental Eurasia should be the center of such global economic recovery and growth, but all the world will benefit through participation as partners in that effort.

Since the general cycle of development based upon the combination of infrastructure and more advanced



Etching by Albert Rosenthal

Two prominent economists, Alexander Hamilton and Henry C. Carey, whose American System policy of credit—to turn general financial bankruptcy into general economic growth—is a model for sovereign nations everywhere still today.



technologies is approximately a quarter-century, the system of credit and payments should be based on cycles of about a generation, and at simple interest-rates on borrowed purchase-credit at between 1% and 2% simple interest.

Under the conditions created by a general bankruptcy now pervading the world’s principal banking systems, the required credit must be generated by political actions of sovereign governments, using newly created national-banking institutions as the pivotal agencies through which relevant agreements are coordinated.

Inevitably, there will be many who scream in protest against the return to the protectionist practices associated with the names of economists such as Leibniz, Hamilton, List, and Carey. No amount of such screaming will change the basic fact, that the system of

“free trade” and “globalization,” has proven itself a catastrophic failure, relative to the protectionist policies of the 1945–1958 interval. The U.S.A., the putatively leading economy of the world, is presently bankrupt, and under any continuation of the Bush Administration’s present policies, hopelessly bankrupt. In the meantime, the movement toward cooperation within continental Eurasia already represents the cornerstone for the kind of cooperation needed to rescue at least much of the world from the presently onrushing global financial, monetary, and trade crisis.

The Role of the U.S.A.

It would appear to many, that since the present U.S. Bush Administration is hysterically opposed to any reforms along the lines I have outlined, the reforms I have indicated would be unrealistic ones. Behind that Administration’s mask of mixed self-delusion and willful deception, the reality is quite different than many around the world have been misled to believe.

If you look at the widely circulated broadcast and other reports I have given since late November of this past year, the current Bush Administration has followed the ill-fated course of policy-making I had warned it would, during the period prior to Jan. 20 of this current year. Already, as a result of Bush Administration blunders against which I had warned, the first phase of a political revolt against the new Administration has occurred, in the form of a Democratic Party regaining of control of the U.S. Senate.

Now, as the second quarter of 2001 has been a worse catastrophe than the first, and the third is on the way, the currently leading internal political issues of the U.S.—energy, inflation, and health care—will be taken over by growing panic over the obvious onrush of a general economic depression.

With the presently accelerating collapse of the U.S. as the world’s chief importer of last resort for Asia and other parts of the world as a whole, the world is near to that sense of global crisis, at which the need for a general, more or less planet-wide monetary and financial reform will be a leading theme of political discussion in many parts of the world, including the U.S.A. itself.

I shall not predict that the U.S.A. will be prepared to propose cooperation with the kinds of economic and related cooperation with which President Putin's efforts are associated. I merely say that under the likely changes in mood now developing within the U.S.A., the dumping of fanatics such as Zbigniew Brzezinski, in favor of U.S. cooperation with a Eurasian development perspective, ought to become U.S. policy. It should be seen as a policy well worth working to make a reality.

A growing number of influential U.S. circles, within the U.S. Democratic Party, and other circles, are now persuaded that my warnings and proposals are relevant. I am presently enjoying some significant political support for these efforts inside the U.S. and elsewhere. However, since, in politics, nothing good is ever guaranteed by fate, we must work all the harder for success.

June 29, 2001

HELGA ZEPP-LAROCHE
TO THE RUSSIAN DUMA

The Eurasian Land-Bridge As a War-Avoidance Strategy

This is the presentation of Helga Zepp-LaRouche, founder of the Schiller Institute, to the Russian State Duma's Economics Committee, on June 29, 2001 in Moscow.

Since the 1995 Halifax summit, but above all, since the Russian GKO crisis and the near-collapse of the world's biggest hedge fund, LTCM (Long Term Capital Management), the governments of the G7 have had recourse to only one measure: pumping unbelievable amounts of liquidity [into the markets]. The speculative bubble in the "New Economy," which was the direct result of this liquidity pumping, has burst, and inflation, which had earlier represented asset-price inflation, is now spreading as commodity-price inflation, with a tendency toward hyperinflation. At the same time, due to internal economic breakdown, the United States is losing its role as the importer of last resort, which has hit Asian exports particularly hard: The tendency toward depression is increasing worldwide: banking crises, mass layoffs, depression. What is threatened, is a breakdown of the global financial system, of a sort not witnessed since the Fourteenth Century.

Was this development foreseeable? The answer is, loud and clear: Yes!

When, in November 1989, after the fall of the Berlin Wall, signs of the dissolution of the Warsaw Pact and the Soviet Union emerged, Lyndon LaRouche warned that it would lead to a catastrophe, if one attempted then to replace the collapsing economic system of the East, with the equally bankrupt free-market system of the West. The paradigm shift, over the preceding 25 years, which, through a long series of neo-liberal steps, had undermined the foundations of the economy, in favor of speculation, would inevitably lead to the collapse of the system.

LaRouche proposed, instead, to go back to the principles of physical economy, in the tradition of Leibniz, List, Mendeleyev, and Witte. He presented the grand vision of a program for the "Paris-Berlin-Vienna Productive Triangle," as the locomotive for infrastructural and economic integration of Eastern and Western Europe, and for the development of the East. This concept called for the integration of the no-longer-divided industrial centers lying within the Triangle—the size of Japan—and the most developed industrial capacities in the world represented there, through modern infrastructure, like the Transrapid [magnetic levitation railway]. Investments in frontier technologies were to enhance the productivity of labor power and productive plant facilities, as well as exports, especially in technology and capital-goods sectors.

From this "Productive Triangle," so-called "development corridors" were to radiate out, from Berlin to Warsaw and St. Petersburg, via Prague and Kiev to Moscow, and through the Balkans to Istanbul. Integrated infrastructure projects, with high-speed railways, highways, and waterways, and computerized railway stations, were to constitute the transportation arteries of these 100-kilometer-wide corridors, along which the most modern technologies and industries could be brought into the East.

Instead of dealing an economic death blow to the allegedly obsolete industries of the Comecon, as the reformers of the IMF and shock therapy did, the industries of the East, though obsolete from a world-market standpoint, could, as valuable industries of the East, have been utilized, and could have played a meaningful role in the construction of the transportation arteries and networks; only then, after they had been "used up" in a certain sense, would they have been idled.

LaRouche's warnings of the danger of the free-market economy, as well as his vision of the "Productive