

Russia's economic crisis: a new approach

by Prof. Taras V. Muranivsky

This statement was released in Washington, D.C. on May 13 by Prof. Taras Muranivsky, who was visiting the United States in order to meet with American political leaders, congressmen, and government officials. Professor Muranivsky is the rector of the Ukrainian University in Moscow, and is the scientific editor of the Russian-language edition of Lyndon LaRouche's textbook So, You Wish to Learn All About Economics?

In the statement below, Professor Muranivsky refers to the work of Russian and Ukrainian scientists who are in the same tradition of physical economy as Lyndon LaRouche. See EIR of May 7 for an extended discussion of this topic, presented to a seminar in Germany under the title "Some Ideas and Concepts of Physical Economy in the Works of 19th- and 20th-Century Russian and Ukrainian Scientists."

A growing number of economic scientists in Russia and the other newly independent states (NIS) now reject the "shock therapy" and rigid conditionalities of the International Monetary Fund (IMF) as detrimental not only to the economies of these states, but to the European countries as well. The economic reforms inaugurated during 1992, which were predicated on Adam Smith's "invisible hand," have turned in reality into painful and disorderly kicks from an "invisible foot," with devastating results for production and consumption.

Within this context, Russia is currently suffering from a hyperinflation on the order of magnitude of 2,000%. Industrial production has declined by about 25%. Industry in Russia and the rest of the old U.S.S.R. now looks like a china shop in the wake of a visit by the proverbial elephant. Investment in plant and equipment is virtually at a standstill, while 1992 capital investment in the agro-industrial complex is down by two-thirds from 1991. If this economic collapse continues, social and political chaos will inevitably follow, and a return to East-West confrontation could not be ruled out. This is the path leading to a new world tragedy.

The severity of the crisis has brought awareness that there is much more involved in effective macroeconomic regulation than the mere manipulation of monetary aggregates. Rather, the entire state economic policy ought to be oriented

toward continuous technological growth and the efficient utilization of labor and energy resources. Speculation, usury, stockjobbing, and other parasitical financial games are parts of the problem, not of the solution.

The Bush administration shared Mrs. Thatcher's geopolitical desire to reduce Russia to rubble. Now, with the new administration, American experts are debating how to provide effective inputs to pro-western forces interested in economic modernization and development. Quite apart from the political destiny of any leadership figures, Russia, Ukraine, etc. require assistance to be brought into the world economy as equal and sovereign partners.

The science of physical economy

The new policy criteria must be drawn from physical economics, aiming at rapid increases in productivity and maximizing scientific and technological achievement. This branch of economic thinking was developed by the American economist Lyndon LaRouche. In physical economy, technological development is the motor of economic development. There is an indigenous Russian and Ukrainian tradition of physical economy, associated with names like Sergei Podolinsky, Mikhail Tugan-Baranovsky, Pavel Florensky, Vladimir Vernadsky, et al. This contrasts sharply with all schools of monetarism, which ignorantly assume that money governs the economy.

I propose the following guidelines for the effort which President Clinton has announced.

1) Because of the terrifying strategic consequences of failure, IMF conditionalities must be immediately suspended. U.S. aid and hard-commodity exports must be channeled into concrete development programs. Otherwise, such aid will only feed the mafia and rampant corruption.

2) A serious policy for the economic development of Russia cannot be merely Russian in scope. The economies of Russia, Ukraine, etc. cannot be dealt with competently outside of a Eurasian framework of cooperation and development. Development policy must obviously also address the current world economic depression and the breakdown crises now crippling so many national economies.

3) Infrastructural development is the key to international economic cooperation. New productive investment should be directed as a priority matter into the building of a modern infrastructure inside Russia and the NIS, as well as linking these areas with central and western Europe and other Eurasian points. Magnetic levitation rail technology being developed in Germany, Japan, and the United States would allow passengers and freight to move from Moscow to Kiev in less than three hours, instead of the current 15 hours or more. Each maglev rail line would become a corridor of agro-industrial development, providing prime locations for factories, laboratories, and new cities. These projects would create millions of new highly paid jobs, permitting refugees and displaced persons readily to find work, thus defusing many

simmering ethnic conflicts. Other vital aspects of infrastructural investment include canals and other water management systems, modern electronuclear power grids, and state-of-the-art telecommunications.

4) U.S. assistance can be decisive in fostering the creation of small and medium-sized industrial concerns engaged in high-technology production. One of the best uses for foreign economic aid to Russia would be to fund a special credit facility to provide low-interest, long-term credit on a dirigistic basis for entrepreneurial activity of this type.

5) At the Vancouver summit on April 3-4, the Russian delegation proposed Operation Trust ("Doveriye"), a joint U.S.-Russian experiment in antiballistic-missile defense using microwave generators and other new physical principles to neutralize a long-range missile warhead over the Pacific Ocean through the creation of a plasmoid. Although virtually all U.S. news media have refused to report on this important step, this concept is now under study by a bilateral commission chaired by the Russian prime minister and the U.S. vice president. Such joint development of defensive technologies, which recalls the promise of the March 1983 Strategic Defense Initiative (SDI), would furnish a science driver for world economic recovery, while counteracting the growing danger of a return to nuclear confrontation and a new arms race. In my opinion, the U.S. side should therefore accept this proposal.

All of these measures should be viewed as one integrated package. The concept of Eurasian infrastructure used here was first presented in the 1989 "European Productive Triangle" program, authored by Lyndon LaRouche. LaRouche was also the originator of what was later called the SDI in both its military and physical economic dimensions.

Freedom for LaRouche

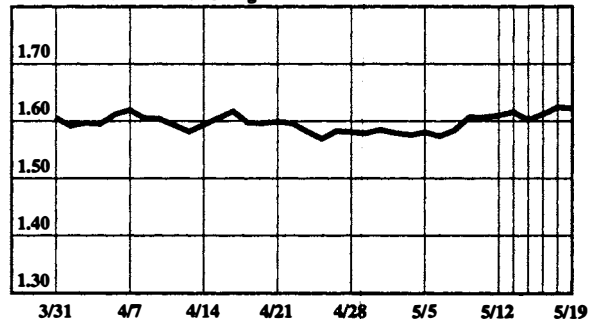
Many of these ideas have now spread far and wide in Russia, even among those who do not know their author. The Russian offer for Operation Trust is congruent with the 1982 LaRouche SDI concept. Some Russian economists favor replacement of monetary indices with new econometrics based on physical economy. In the recent period, LaRouche has gained recognition in Russia. Among dozens of articles about him which have appeared in the Russian press are two published by me in the well-known Moscow daily *Nezavisimaya Gazeta* on May 5 and 7.

But LaRouche, as a result of a political persecution conducted by the Bush administration, is still a political prisoner in a U.S. federal penitentiary. LaRouche is innocent of any wrongdoing and represents a vital resource for humanity. A growing group of Russian scientists and intellectuals around the magazine *Trade Unions and Economy* has joined with the international movement calling on the Clinton administration to free LaRouche. I am personally convinced that LaRouche's ideas are the way to save the Russian economy.

Currency Rates

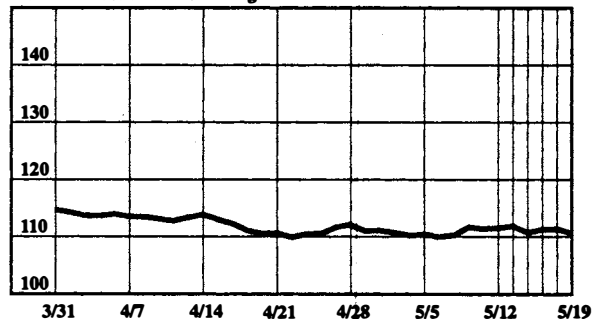
The dollar in deutschemarks

New York late afternoon fixing



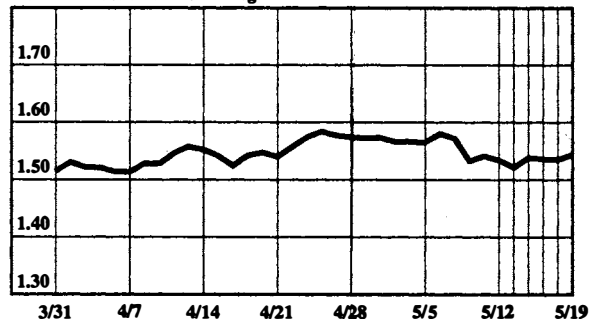
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

