

LaRouche presents economic recovery program in Moscow

American statesman and economist Lyndon H. LaRouche made his second visit to Russia, from June 5 through June 9. He was accompanied by his wife, Helga Zepp-LaRouche, and a delegation of the Schiller Institute in Germany, which she heads.

On June 6, LaRouche gave an address at the State Duma of the Russian Federation, on the topic "The World Financial System and Problems of Economic Growth," which was attended by deputies of the Duma, staff members, and members of the public. On subsequent days, he spoke to enthusiastic audiences at the Institute of Economics of the Russian Academy of Sciences, the Methodological University, and Moscow State University. LaRouche also met with representatives of Moscow scientific circles.

The impact of LaRouche's presentations was amplified by the circulation, during the visit, of the just-published Russian translation of his memorandum "Prospects for Russian Economic Recovery" (Bulletin #5 of the Moscow Schiller Institute for Science and Culture; see EIR, March 17, 1995 for the English text) and the Russian edition of "Summary of Evidence on the Record Demonstrating the Innocence of Lyndon LaRouche and His Colleagues." The latter pamphlet was published by the Bureau for Human Rights Defense Without Borders.

The following is the text of LaRouche's speech on June 8 to the Institute of Economics of the Russian Academy of Sciences in Moscow. He was introduced by Prof. Taras Muranivsky, president of the Moscow Schiller Institute for Science and Culture.

Dr. V.I. Mayevsky: Let us begin our meeting with Mr. LaRouche. I would like to say a few words about our Institute, which is one of the oldest in Russia. It deals with basic economic problems, including property questions, institu-

tional reform, economic growth, and the organization of management. Currently, we are working in all of these fields, taking into account the specific situation in Russia today.

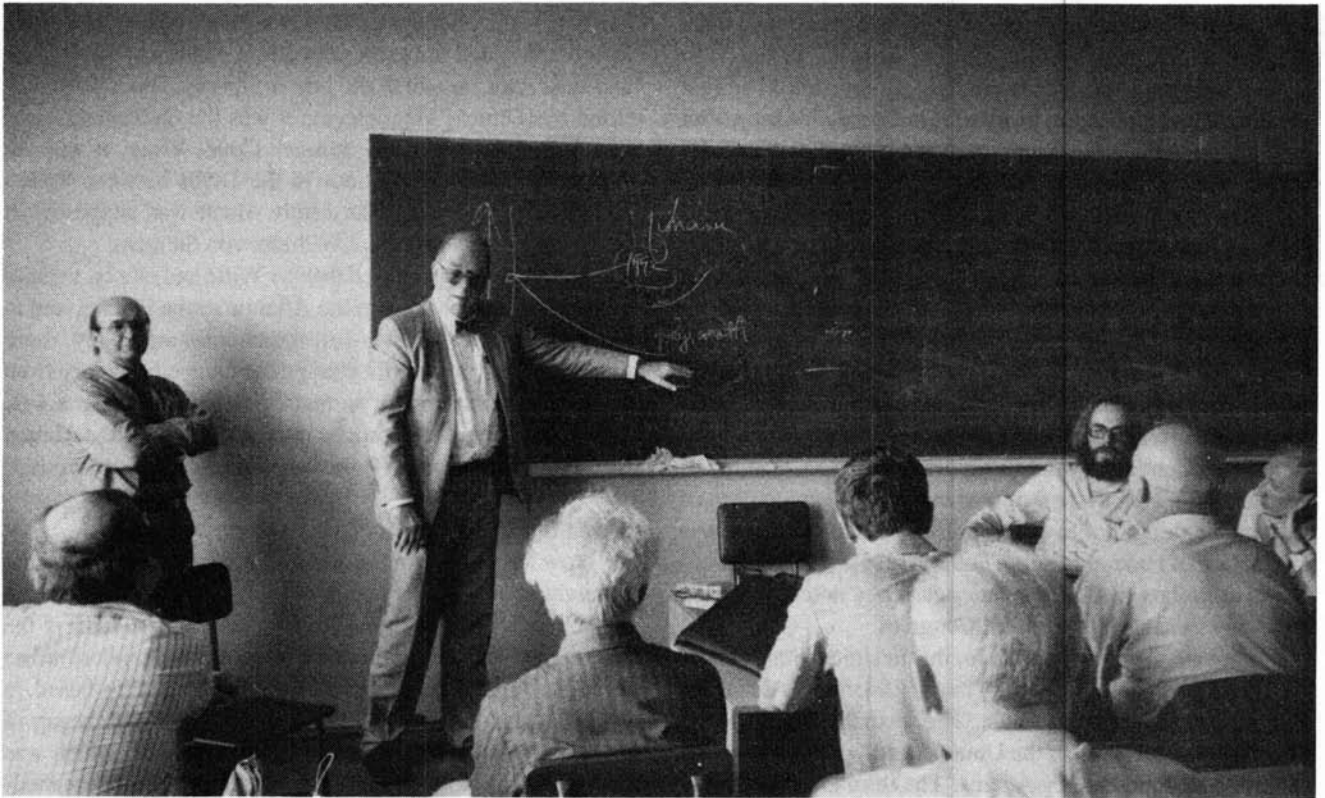
We have contacts with state institutions in Russia, and with international organizations, from both the Near and the Far Abroad. I think that the Institute of Economics is known in the United States, as is its director, Academician [Leonid] Abalkin.

Now I would like to ask Professor Muranivsky to say a few words about Mr. LaRouche.

Prof. Taras Muranivsky: We've been in touch for a few years already with organizations throughout the world which are united by being called the Schiller Institute. This movement, of which the Schiller Institute is a part, was conceived and is led by the leading American political figure and economist, Lyndon LaRouche.

As a scientist, a thinker, and a politician, LaRouche has put forward a number of original ideas, which, as might be expected, did not always coincide with the official point of view. And we think of America a little bit differently than is accepted. Propaganda here tells us that there's prosperity there, absolute freedom and human rights. In reality, ideas that are not accepted because they challenge official circles are subjected to pressure. Therefore, because of his forecasts, Mr. LaRouche was convicted. There were two trials in 1988. One didn't succeed; the second one did. The jury was fixed, and he was sentenced to 15 years. Through the pressure of public opinion, he was released last year, and is visiting our country for the second time.

Besides the high morality and humanist basis of his teachings, I would like to draw your attention to the fact that he is the founder of an independent direction in science, which he has called physical economy. And his book [*So, You Wish to*



Lyndon LaRouche speaks at Moscow State University, June 8, 1995.

Learn All About Economics?], which we translated two years ago, contains very harsh criticism of the conception of the free market of Adam Smith. The philosophical roots of liberalism and neo-liberalism were exposed by him almost a decade before the monetarists imposed these policies on us in a pure form, which no other country applies to itself without some modification.

This free-market conception, which is to maintain the British rule, has been very widely spread throughout the former U.S.S.R. and eastern Europe. I just wanted to draw your attention to these few points, and then to turn the floor over to Mr. LaRouche.

Lyndon LaRouche: Let me first of all give you an optimistic view of certain problems: optimism from the standpoint of an old fighter, not necessarily the man in the street.

As most of you know, since most of you are senior, or have worked with senior people, the foreign ministries of governments rarely express the positions of their governments. And, sometimes, even a President of a country expresses the opinion of his foreign ministry, contrary to his own opinion. We must appreciate that fact, in understanding the difficulties which President Clinton has in his dealings with Russia.

There is only one leading official of the State Department who agrees with President Clinton, and that is Strobe Talbott;

and he does not know economics. The President is not as bad on economics as that, but there are political difficulties in his stating what he believes.

Now, let us look at this from the standpoint of what some call the Group of Seven Halifax meeting, what Boris Yeltsin has called "the G-7½ meeting." Let's look at the three views which are going into that meeting.

One view is that the present monetary system, with its financial attributes, shall continue. The two other views believe the present monetary system must be changed. The majority of the most influential people in the West, including many in London, is that the present monetary and financial system globally, led by the International Monetary Fund, is doomed. However, among those of us who believe that the system is doomed, as I do, there are two opposing interpretations of this.

Some believe the present IMF system must be reformed but essentially only administrative reforms. Others of us take the view, as I do, that the international monetary and financial system of the world today, is totally bankrupt, and that only the elimination of that system by bankruptcy, and the establishment of a new system, is possible.

There is an increasing number of people in western Europe and the United States who share my opinion. I understand that opinion will be expressed at Halifax. But again, we have another problem. You may know something about

politicians. Politicians, even when they are good, tend to be pragmatic, and they will say to me, as some in the U.S. government say to me, "You are right, *but* we would be shot if we tried to do what you propose at this time. We must wait until the crisis becomes worse, and then we will have popular support for the necessary changes."

The change that I propose, which I believe *must* occur soon, is that several leading governments of the world, including the President of the United States, who has special powers for this kind of condition, will put their central banking system into bankruptcy. This would mean, in the United States, that the President would use his emergency powers to take over the Federal Reserve System, a private bank, and declare it bankrupt, and to use the powers which are invested in the President and in the Congress under the Constitution to establish a new system of currency and a new system of national banking; not to call in dollars, but to cease the *new* circulation of Federal Reserve dollars, to limit the new circulation of dollars to U.S. Treasury currency notes, as issued under laws enacted by the U.S. Congress.

There are many precedents for this in United States history: The 1789-91 reforms under Treasury Secretary Alexander Hamilton, are the first example. The second example, is the Second National Bank of the United States, under Presidents Monroe and John Quincy Adams. The third example, is the wartime financing of the United States in the Civil War by President Lincoln.

The issue of such currency would be loaned through a national bank to national infrastructure projects, and to special private categories of borrowers. The purpose is to rebuild U.S. employment and production in industry and agriculture, and to foster an increase in what is called hard-commodity international trade. To establish a new monetary system, would require that several governments join the United States in this form of reform. I would hope that Russia would be one of those states that would join in that reform.

We have an historic, common interest to fulfill under those conditions. The historic interest, of course, is associated with the relations between the United States and Russia, both in the period of Catherine II, when Russia supported the United States' independence, and the second period was from about the 1850s until 1901, through the period of Alexander II through the efforts of Count Sergei Witte, until the election of a disastrous fellow by the name of Teddy Roosevelt, who was practically an agent of King Edward VII of England. And, you know then there was a certain war that occurred in the eastern part of Russia with Japan.

President [Franklin] Roosevelt tried to reestablish some relations in that direction; then, President Roosevelt died, and we had a lot of trouble, with which many of you are familiar.

The historic interest of Russia lies in its history and geography. The center of the world is the Eurasian continent; as was understood by all Russian leaders in modern times, the

key here is the relationship between developments in Europe in economy, and the great population centers of South Asia and East Asia, in which the key is Siberia. This was understood by [Dmitri] Mendeleev; it was the understanding of Mendeleev's friend and admirer Count Witte, it was the subject of treaty negotiations in the 1890s between Russia and France, and it was an effort which was supported in Germany by circles around Wilhelm von Siemens.

The point was proposed then by Witte and others, to build a system of railroads from the Atlantic to the Pacific, and to the Indian Ocean. That is still the requirement today, more than ever, and that would change the course of history from the kind of disasters we've had for the past two centuries. The possibility of the proper relations between the United States and the nations of Eurasia, is based on such a proposal.

The strategic conflict

Now let's look at our problem, briefly. Contrary to what is taught as economics in most western universities, modern economy is divided into two principal forces. One is the old oligarchical system, which originated in modern times through Venice, a system of financial oligarchy based in usury: as against a new form of economy which began in France in 1461 with the accession of Louis XI, which was called the "commonwealth form" at that time: the first modern nation-state.

The modern nation-state was based on the development of the physical economy, that is, the increase in the wealth per capita, per family, and per square kilometer. The key to this, was the extension of the system of education to include adolescent boys who had been orphaned, and others who were members of poor families. The increase of larger proportions of the total population to assimilate and to generate new knowledge, was the basis for the great growth in population density over the past 550 years.

This new form of society, the modern nation-state, came into conflict with the old forces of oligarchy. The result was a stand-off, a kind of symbiosis between two systems.

On top, was the financial system, which was originated from Venice, which emerged later, as, essentially, the financial system of the markets of the Netherlands and London.

At the bottom, was the development of modern economy, or what we might call agro-industrial economy, based on scientific and technological progress, and struggles to extend education to universal education.

During the past 500 years since this symbiosis emerged between the two systems, we have a period, up until 1963, of peaceful coexistence, mixed with wars, between the two systems. Since technological progress not only increases the productive powers of labor but also the firepower and mobility of military forces, the oligarchy was not able to rid itself entirely of the new system. But for various political and social reasons, the new system could not rid itself of the

oligarchy.

In the meantime, the oligarchy ruled the world by balance of power struggles. The last great such balance of power struggle was a struggle between the western powers and the Soviet Union. That last struggle began to come to an end in 1963, in the negotiations which followed the Cuban Missile Crisis of 1962. The so-called *détente* agreements between the Khrushchov government and the government of President Kennedy, created a condition in which the majority of the British and of certain British-allied forces in the United States, came to the opinion that major wars on this planet were impossible, that the superpowers, which included at that time China, as well as the Soviet Union and the United States, would not go to war, that only limited wars, or surrogate wars would occur.

As a result of that belief, we had the unleashing of post-industrial utopianism: It was possible to build a society in which we no longer had scientific and technological progress nor industry, to go back to a pastoral or barbaric form of existence. And, then, we had the unleashing of such forms of insanity as ecologism, systems analysis, and so forth, in which science and other things were somewhat destroyed.

As a result of that, the policy of investment in scientific and technological progress, for the purpose of increasing the productive powers of labor, came to an end. Not all at once, but over a period of 1964 through 1972. This erupted around the Harold Wilson government in England, spread into the United States rapidly, was expressed in the so-called 1968 revolutions in France and in the United States. The result we've had has been called by some a global "cultural paradigm shift"—over the past 30 years. As a result of that, the average income, as measured in physical terms, and also the productivity of labor measured in the same terms, in the United States, has collapsed.

The income and productivity of the average U.S. person in the labor force or household, is about half of what it was in 1967-69. And there is, of course, a disaster which has erupted in the so-called developing sector during the same period. The idea of development decades in the U.N. died in about 1967. The floating exchange-rate system established in 1972 now leads to two conditions which are responsible for the inevitability of the total collapse of the present economic system.

First of all, the peaceful coexistence between finance capital (the oligarchical form) and the nation-state, or agro-industrial economy, was based on the fact that the finance-looting of nations was limited to a share of the macro-economic profit of nations, except, of course, in the case of colonial nations or semi-colonial nations, which were looted. With the new change, when the total macro-economic profit of the system became negative, the only form in which profit could be taken from the system by finance, was, in net effect, through usury.

So, what we had was the vast expansion of finance capi-

tal, or fictitious capital, such that over the past 25 years, we see a growth in terms of financial aggregates per capita, while, as measured in physical terms, there has been a decline in physical output and consumption per capita. This reached the point of insanity about 1987-88 with the emergence of significant activity in a category called derivatives, financial derivatives.

The derivatives explosion, which now runs into perhaps three times as large as the total world GNP, is at such a degree that now, based on 1992-93 estimates, both from the U.S. Treasury and from other official agencies, out of 100% of average daily foreign-exchange turnover worldwide, the percentile of foreign-exchange turnover attributable to imports and exports of hard commodities, is today less than 2% worldwide. The worst situation among countries is in Britain, where it's less today than 0.5%. But the average is about 2% or less worldwide. A few countries, such as Germany today, are about 5%. In other words, there has been a decoupling of finance from production and trade.

The only sane winner of the Nobel Prize for Economics since the beginning of that prize, has been Maurice Allais of France. All others are insane, and some of them, most of them, are actually, palpably fascists in their economic theory. Maurice Allais somehow sneaked in as a sane person, I don't know how that happened. They probably didn't speak French.

Some of you have probably read his articles at some length in *Le Figaro*. I think there are three major pieces, and he's accurate in what he says, in his analysis of the system.

As you know, in Moscow, where you do not have cholera but banks, there is a disease in which you cannot tell the difference between a bank and a gambling casino. Everything is being destroyed.

And so, in conclusion, put it this way: Once the finance sector began to loot the very basis of the economy, and began to shrink the economy by taking on usury, you had a situation like cancer, in which the cancer grows by shrinking the host. As the host shrinks, the cancer grows. As the cancer grows, its appetite increases. It is a system in which one man's meal is another man's stomach. Finally, in the terminal stage of cancer, the victim, the host, becomes very weak. The cancer becomes pervasive; sometimes it appears in the metastatic form of banks.

The cancer now has a tremendous appetite. You cannot maintain the cancer, except by killing the host. Some people have said recently that this is the state of Russia. I tell you: It's the state of the world. Russia may be delivered a greater shock, but this is a condition we have seen for a long time in Ibero-America, for example. This is the situation in Africa for a long time; and the same disease comes here.

But also, the same disease comes to western Europe, to North America, to Australia. You see rumbles of it in Japan. The world can no longer live with this system. What will happen? We have two ways to go.

The crisis

We are now headed toward what [Karl] Kautsky and Rosa Luxemburg debated as a breakdown crisis. We are headed, first of all, to a collapse which resembles, in precedence, Germany 1922. If we had idiots who behave like Hilferding, it will then go to a collapse like 1923 in Germany. If you just try to print banknotes to cover the collapse, you will have an explosion, and the whole system will disintegrate. If you use fictitious aggregates, instead of banknotes, it will be even worse, which is what the IMF system is now.

Now, only governments can cure the problem. No international institution can deal with this problem. Only sovereign nation-states. And it can only be cured by *major* sovereign nation-states, because it's a worldwide problem. It is imperative that the United States take the lead in this, because the U.S. dollar is presently 60% of the world monetary reserves.

If we do not do that (some of you know the Kolmogorov equations, which are the famous equations for a chemical chain reaction), what will happen, under the action of what is called "reverse financial leverage," is that one morning, you will have a financial system; 48 to 72 hours later, there will be no financial system existing in the world: a reverse-leverage collapse in a chain-reaction implosion.

Therefore, the important thing is the political-strategic aspect. It is probably true, as people in the U.S. government tell me, that the political will and the political support to make a needed change now, do not exist. It is probably the case, that we have to wait until the situation becomes worse before the political will to act appropriately will be found. But, when you're faced with an implosion which wipes out a system within two to three days, you cannot expect to begin to experiment once the situation become very bad.

The most important thing is, that in every important government in the world, and in those influential institutions which advise them, the alternative be completely defined and worked out. So, when the politician says, "What do we do?" we have the answer ready for them, the ideas are developed, they don't have to be developed then, they're already developed.

Finally, on that point: In the middle of the 1970s, I had a meeting with Jacques Rueff, who was the man who organized the heavy franc for Charles de Gaulle. We discussed this matter, where the world was going under the floating exchange-rate system. He said, "You're right in the analysis, but the politicians will not do it." And, he described how the heavy franc was put in, in France. And he said he went to President de Gaulle and proposed the heavy franc reorganization, and de Gaulle said, "This is very good, but most of my advisers disagree with you." And Jacques Rueff, who already was a famous man in France, said, "I stake my reputation and my life's work on this proposal." De Gaulle said, "Therefore I will do it." And it succeeded.

The same situation exists now. You have a government

in Russia, you have a new election coming up. Who knows—I don't know—what will happen? We have a President of the United States. There are heads of state in various countries. You have studied, perhaps, most of them. What do you think of their ability to come up with the idea and make the decision on this matter? Is it not the case that the institutions which advise these governments, and these figures, must be prepared to go to their governments as Jacques Rueff went to Charles de Gaulle, and when the President says, "Will it work?" you and I must be prepared, with others, to say, "We stake our life's reputation on the fact that it will work?" Without that, most politicians, even good ones, will not act.

Ladies and gentlemen, that's our problem.

Questions and answers

Dr. Mayevsky: We've had this very interesting presentation by Mr. LaRouche. It would certainly be appropriate and timely to ask some questions, to allow the situation and your positions to be more precise.

Q: Your views are close to mine, and I would like to zero in on the essence and goals of your conception, of which there are three. First, a new economic paradigm. Second, a more rational distribution of the world social product. Third, would be the stimulation of new growth in production and technology.

What kind of ecological and resource limitations do you take into account in this, and what limitations are there from the standpoint of the model?

LaRouche: There are essentially no limitations in practice, if we look at the history of mankind. If mankind were merely an animal, and subject to ecological models, the human population of this planet would never have exceeded in the past 2 million years, several million individuals. By the middle of the 14th century, we had achieved a level of several hundred million people. We now have over 5.3 billion people. If we had used the technology which we had on this planet as of the Moon landing in 1969, we could have supported a world population of 25 billion and a standard of living potentially that of the United States at that time.

This involves a discussion of a scientific principle, which I've been discussing with interest with some scientific institutions here in Russia. We have some disagreements, but I believe I'm correct, even though I learn something from my critics here. But the point is that the human being is unique among all living creatures. We can *create completely new levels of technology*. Every resource limitation, we can supersede, by new technology. We can recycle waste. If we continue with space exploration, we will be forced to develop techniques in space exploration which will have great benefit on this planet.



Lyndon LaRouche (left) with Jonathan Tennenbaum, a representative of the Schiller Institute in Germany, during their visit to Moscow, June 1995.

We in European civilization and extended European civilization, through the benefits of universal education, and experience with progress, realize that the individual human being is very special and very important. That is not well understood among the majority of this planet.

The basic problem we have, is to bring the benefits of that attitude toward the human individual into the internal development of people, and as a principle of relations among states. Then the human race can solve any of its own problems; but we must make that step.

Q: Let me ask two questions, one rather general, and one very short. First the general question. There are two ways of making some efforts. One way you said, with your example of de Gaulle and Rueff, technical efforts to find a short way to the result. The second is more strategic—to deal with the scientific community, general public opinion, and so on and so forth. From this point of view, what's your opinion about the situation in economic science, which cannot be limited to monetarists and neo-classical economic science? In other words, there are currents of economic thought which are very critical of neo-classical and monetaristic approaches. What's your opinion of these currents of economic thought? What's your opinion of the works of Nicolas Georgescu-Roegen, Philip Mirovsky, and so on and so forth? This question is connected with the situation of

whether we have a possibility to use some parts of the scientific community within economics, to promote your ideas and similar ideas.

The second is a very short question. You mentioned the question of reversing northern rivers in Russia, to the south. You see, this question has a very long history of debate in Russia, and there are two different levels of discussion, one level just general, whether it has some ecological and other minuses and pluses, and the second concerns the economic and more narrow aspect. You see, all projects which we had before about this reversal, to a great extent, were projects to promote or to support certain economic structures within the country, which were very much interested in digging more and more without any results.

LaRouche: On the first question, that involves a number of subjects that I've written on. I don't think there's any contradiction between the two approaches, that is, the political approach and the scientific. The political action by nation-states strategically, must occur. However, in order for agencies such as this one, to play its role in advising government, a quality of scientific certainty must be achieved. So the two things must go together.

On the question of new economic thinking: The most interesting direction, I think, in economic thinking, I find already going on here, in scientific institutions. I don't necessarily agree with what's being proposed, for example, by this

gentleman Pobisk Kuznetsov, but he has posed the correct question. *That* is the useful direction.

The question is: What is the relationship between those axiomatic changes in scientific principle which are generated in physical science, and also in great Classical art? How does this knowledge become transmitted, as through the machine-tool sector, and through education, to increase the productive power of labor? How do we create, at the same time, the energy of the system per capita of an economy, without shrinking the ratio of free energy or macroeconomic profit, to energy of the system?

In other words, human behavior is not entropic. All the formal economy which is generally taught, fails to address this question effectively. And the new trends in economy, which are associated with systems analysis, have a certain axiomatic incompetence in addressing precisely this question.

Any system of simultaneous linear equations or linear inequalities, while useful in describing a Leontieff model of an economy, is intrinsically entropic. Therefore, if you run an economy based on systems analysis, you will destroy it.

So what is needed is the direction, I think, that I've been working in, and for example, here, Pobisk Kuznetsov et al. are raising these questions. I find other scientific institutions here are raising the question.

For example, the Soviet economy, to the degree it succeeded, was a *science-driver economy*, based on universal education. The failure was the failure to address the question of the civilian economy in the same degree that the military sector was addressed.

And finally, on the other question, of the rivers. The problem is what we have spread in the world through global systems analysis, which came in through IIASA [International Institute of Applied Systems Analysis], and [Dzhermen] Gvishiani et al., and [Ivan] Frolov here, which came from Lord Kaldor's group at Cambridge, in Britain.

For example, we have false science today, which banned DDT, which is a completely fraudulent case. We have people who lied and said the "ozone hole," so-called, was caused by human production of halogens. We have coming out of NASA a completely idiotic theory of global warming.

Yes, when you change the environment, you have effects. These effects must be studied by competent scientists, not these quacks who are very influential in the world today, out of the Rio [U.N. Earth Summit] conference, for example, which I find is very influential here.

The problem in the Soviet economy was because of what Preobrazhensky called "primitive socialist accumulation," under wartime conditions, and, also, an error in policy: Infrastructure was not developed. And, we must look at many of the problems of the Soviet economy, without deprecating some of the projects which had great value. The problem was, there was not sufficient emphasis on infrastructure; the

problem was that since the beginning of the Soviet system, there was primitive socialist accumulation, based on military preparedness. And I believe many institutions, including this one, emphasized the importance of coming to avoidance of this military conflict, as a way of unleashing resources to address these problems, which I propose is the condition now, and we should just take advantage of it.

Q: I read your Memorandum already before our session, and I can share many of your ideas, with the exception, perhaps, of diversion of the northern rivers. You have a great array of ideas here, but the difficulties begin when we try to implement these ideas.

In your oral presentation this morning, you put forward yet another global idea, about the reform of the Federal Reserve System and the monetary system, as a means for solving the crisis. Could you please repeat what use it will be, what good it will do here and elsewhere, to reform the U.S. banking system, given that the dollar is the international reserve currency and 60% of the currency circulating is dollars? Please repeat what will happen if this be done?

LaRouche: The problem is that you have the IMF. Now people, many people, think the IMF is some kind of government agency. We have a pyramidal structure of the international monetary system. At the bottom, we have a system of central banks, which are actually the joint stock companies of private banking and other related financial interests. These become either chartered by governments, or they, by international power, *impose* themselves on governments. These take over what should be the authority of governments.

Under the Bretton Woods arrangement, these central banks are the constituents and stockholders of an international institution called the IMF, which worked with the Bank for International Settlements in Basel, and a favorite night club in Paris called the Club of Paris. It's the enforcer for the international banking community.

Now, the point is to take the power away from these gangsters. You do not have, under your Constitution at the present time, a provision for the creation of a national banking system, because the victorious powers in 1989-91 didn't permit it. We in the United States *have* such power under our Constitution. It is my desire that you have such power here, that you have the right of economic protectionism, as we insisted when we formed our country. If you can't protect your agriculture and industries, you won't have any. You must have your own currency, which you defend.

Now, if the United States takes the first step, and if you support the United States in that step, together with a few other nations, no one on this planet can resist us. We are playing a game of power. If we have the power, and we have a rational idea of how we're going to create currency and use it for credit, and if we make bilateral and multinational treaty agreements on how we're going to regulate, for the medium

term, trade and tariffs.

Take the case of how Russia would develop, just with the initiative of a United States reform. If the United States, with the support of a few other countries, declares the IMF system bankrupt, what happens to the IMF system? Who will obey it? What country will obey it? It's lost its power. Without the backing of the United States, the IMF is a toothless tiger.

Development of Russia, in my view, depends upon the land-bridge concept, the Eurasian land-bridge, from Brest to the Pacific, and to the Indian Ocean. This becomes an international project, which means that Russia, on the basis of that kind of project, together with China and other countries involved, become prime credit risks for the supply of credit, both for what they have to import to do the project, and for credit to their own industries, which will become vendors to the project. That would build up immediately the employment and tax revenue base here, at which time, I presume, your government would take the appropriate steps to come into line with that kind of international system.

Q: I'd just like to say a few words, considering the time limit, on three aspects, which seem the most interesting to me, in the Memorandum of Mr. LaRouche, although I also am not in agreement with everything. But, there are three points which seem to me to be particularly interesting.

The first is his analysis of the genesis and development of post-industrial utopianism. The second is the historical analysis, the counterposition between the commonwealth and what he calls the "Venetian oligarchical type." I find very interesting his observation that the penetration of the institutions of a country and subjugation of those institutions to its influence is typical of this Venetian type.

If we take the history of Russia and eastern Europe, what's very interesting, first of all, is what the historian Gumilyov recently proved. I don't agree with everything he says either, but he showed that the [Sept. 8, 1380] battle at Kulikovo Field, which was one of the most outstanding events in the history of Russia, was actually a confrontation, not with the Tatar-Mongol horde, but with mercenaries of Italian usury capital.

The second aspect is that the peoples of the Greek islands and Balkan Europe, with all the travails of being under the Ottoman yoke, nevertheless preferred the Turks to the Venetians.

The third aspect, which is extremely important, is the precedents you've cited for friendly relations between Russia and the United States, insofar as Professor LaRouche attributes great significance to friendship between the United States and Russia, giving the examples of the assistance in the War of Independence against Britain, and then the assistance extended by Czar Alexander II in the 1860s. I think that if, in the United States itself, the number of people were to increase, who formulate their attitude to Russia based on

those precedents, rather than on the basis of the United States' victory in the Cold War, which was one of the long-term consequences of the influence of Theodore Roosevelt, then indeed it will be possible to talk about the development of joint action by the United States and Russia to carry out positive programs.

Dr. Mayevsky: I'll permit myself to take three or four minutes. I would like to say that I have derived great satisfaction from the lecture Mr. LaRouche gave, and it's interesting for me that, although Mr. LaRouche is not strictly in the Schumpeter tradition of evolutionary economics, nevertheless, Mr. LaRouche's basic findings are very close to the position of this school, beginning with Kondratyev.

When for our audience here, Mr. LaRouche says that it's necessary to develop infrastructure in order to develop the economy, this is directly related to the research which is being done on Kondratyev long waves. Cesario Marchetti, one of the leading experts in this area, wrote an article in 1993 which showed, on the basis of the past 220 years of U.S. figures, that it was precisely the development of infrastructure, namely the railroads, canals, and so on, that was the basis for the most recent rise of a long wave. This is statistically proven, and if it's interesting for Mr. LaRouche to see this article, I can show it to him. I can show Mr. Marchetti's conclusion that the next cycle—and we're now in the process of transition to the fifth Kondratyev cycle—has also to begin with the powerful development of infrastructure. There's no alternative to this.

Secondly, on the question of the dynamics of finance capital from the standpoint of Kondratyev's theory, Mr. LaRouche said, very rightly, that over the past 35 years there's been a surpassing growth of finance capital relative to physical-economic activity, and that securities speculation exceeds GNP by double. From the standpoint of the long-wave theory, insofar as by 1995, the world economy was on the down side of the long wave, this is lawful. There is an accumulation of financial capital, in order to be able to invest it in the future, in the next wave of infrastructure, and in new technologies. This really does correspond to this theory.

Finally, on the non-entropic character of the development of the world economy: I think that this is a very interesting observation, although Pobisk Kuznetsov, as I understand, says "negentropy," and you say "not-entropy."

I didn't fully understand what was laid out here, on the relationship of the ratio of free energy to the energy of the system; but in any case, these connections between the physical and economic sides of a process are considered very urgent in the long-wave theory.

On the whole, I would like to say that Mr. LaRouche's presentation was a pleasant surprise for me personally. It was a very interesting one, and we should thank him. I think we can applaud.