

U.S. economic emergency measures

Thus, Moscow has made its intentions on its national food security measures very clear, in tonnage terms. Therefore, the fact of Lugar being “surprised” on his trip to Russia, shows that, as the slang goes, “it’s his problem.”

Senator Lugar, along with a contingent of others in Congress—mostly Republicans, though not all—are still talking in terms of “free markets” and other features of a world trade and financial system which *no longer exist*. Trade volumes have plunged, and farming and trade financing have collapsed in chain-reaction fashion as nations’ currencies and other monetary and financial values have been engulfed in crisis.

Across the United States, millions of bushels of grain are piling up outdoors, or in makeshift storage, because the silos are full of *last year’s* unsold grain! Some 40% of the 1997 U.S. wheat crop is unsold. U.S. farmers face ruinously low prices for their grain crops, livestock, and other commodities. The farm states all are posting huge drops in farm income, that threaten to wipe out the entire economies and whole communities in the Dakotas, and across the Great Plains. Not just commodities, but even tractors and farm machinery are piling up unsold (see p. 9).

When Congress recessed before the elections, they passed a \$6.9 billion aid package for U.S. farmers, as a stop gap, until, as many Congressmen said, “markets” return in the future. But without a new international *system* of currency pegging, capital controls, and so on, there will be no rebound of dead “markets.”

Look at the trade in “Bush-legs,” for example. After Aug. 17, when Moscow devalued the ruble and announced other financial measures, imports of Bush-legs and all other foods into Russia all but stopped. The freighters of frozen chickens were literally halted on the high seas. Fully 40% of all U.S. chicken-quarter exports had been going to Russia in recent years—from Tysons and other cartel companies. Now, Moscow says, there will be no *status quo ante*, when it comes to food import-dependence. So, what will be the U.S. reaction?

In early November, LaRouche stressed that the U.S. must return to the traditional Food for Peace approach, in his paper “Food, Not Money, Is the Crisis” (*EIR*, Nov. 13). This means parity-based pricing for domestic farmers, and those of our trading partners as well. Currency pegging, capital controls, and mutual-interest trade and economic development. Nothing else; nothing less.

The calls for emergency measures are increasing in the United States. On Nov. 17, the Rev. Robert J. Carlson, Roman Catholic Bishop of South Dakota (Sioux Falls), released a call for a criminal investigation of low farm commodity prices. “I am asking for an investigation by proper authorities (within the state, the Department of Criminal Investigation, and because of interstate commerce and other factors, the U.S. Justice Department) to determine if anything criminal is at the bottom of this predicament,” he said.

Primakov government must be supported

Taras Muranivsky, president of the Schiller Institute for Science and Culture in Russia, made these comments by telephone to the EIR Food For Peace Seminar in Washington, on Nov. 19, 1998.

Let’s ask the question: Is the Russian population heading for famine and destitution? I say no. And not only me. [Yevgeni] Primakov, the new Prime Minister, said the same. And the new government has begun to do some very serious things, to prevent such an awful situation in Russia.

From the very beginning, I’d like to say that this government must be supported by all forces all over the world that can help and want to help Russia. You know that the current crisis is not the crisis of 1998. The Russian crisis began in 1991. Successive Russian governments have been following the prescriptions of the IMF [International Monetary Fund] for free trade, financial liberalization, opening of markets, and, basically, to make Russia into a raw materials producer, rather than an agro-industrial country.

So, the West is responsible for the crisis in Russia. The foreign and the internal reformers pursued the objective, to destroy the Russian machine-building industries, to annihilate the textiles industry, and other branches of the manufacturing industries; to ruin farming and the food industries and others.

The result was that, overall, production fell to 30% of what it had been in 1991. Worse than that, 40% of the population was [pushed] below the poverty line. Domestic production was coming to a stop. Domestic credit was effectively unavailable. Only foreign credits could be obtained. And the Russian government was issuing its debt to foreign creditors at ever-higher interest rates, with ever-shorter maturities. When these financial pyramids could not be paid, the process of collapse that has been going on in the world in the last several years saw its first major sovereign default, in effect.

There was really nothing the creditors could do about it. They don’t have their money now. They are not going to get it. They have knocked the legs out from under the roulette table that has been going on internationally.

I must draw your attention to LaRouche’s point of view. He is right, in what he has written in one of his very latest memorandums [“Food, Not Money, Is the Crisis,” *EIR*, Nov. 13, 1998]. We need to help Russia through Food for Peace. But we must have in mind that we do not simply need help.

I have paid special attention to another one of Lyn's ideas. This is the idea of *infrastructure*, and the role of infrastructure in the development of an economy. You know that Russia is a very big territory. And now, we have such circumstances that in one place, we have agricultural products, we have fish, etc., but we cannot transport it to the places where it is needed. For example, in the Far East we can have the caviar from the fish, but the meat of the fish, good red fish, is thrown out. It's an awful situation, because we have not the infrastructure.

One more thing. This reform, that was conducted during the past five to seven years, was connected with the import of foreign products. When we produce our own meat, it costs \$1.50-1.80 for a kilogram (2.2 pounds). And when we import it from western Europe and buy it, it costs \$4 per kilogram. It's very exorbitant for us. But we gave up our own production.

But I must tell you, that the situation in Russia may improve, before our very brave journalists see the famine and other horrors they are waiting for in Russia. I will tell you one simple story about one of the central Russian towns. I have in mind Voronezh. It's about 100 kilometers from Moscow. One lady there was interviewed in a newspaper, on how they are preparing themselves for winter.

She said, "My husband and I have prepared for winter, the same portion of pickles and vegetables as we had last year. Sixty three-liter jars of tomatoes. Fifty jars of cucumbers, two big bags of potatoes, one bag of meal, one bag of sugar, one bag of cabbages, 40 jars of stewed fruits, etc."

In that way, many towns—especially regional towns—can save themselves from hunger and famine. And as to the awful situation of the North and the Far East, this is real. But I say once more, that the new government, for example, First Deputy Prime Minister Maslyukov—who met LaRouche in 1996, and impressed him with his very good intellect—has tried to do things using the power of the state. Before, we tried to remove the state from management of the economy. That was wrong. Now we must, in the best way, coordinate state and business interests. In this way, we can do the best thing for our country.

But, bear in mind that how the situation is explained in newspapers, radio, TV, etc., is not economic reporting, but political. They try to show that the new government will not do anything to save Russia from famine, to save Russia from a hungry winter. It's not right.

We need help, and this help will be very useful for us. But it is necessary to help our new government to do everything to make decisions—our own decisions—in the interests of the country.

I can add only one thing. There are two points in Lyn's last memorandum. These points are connected with the use of our own forces. This is the technology from the former Soviet military-scientific complex. It is the basis for developing our own agriculture, and other things. And we hope that when we help our government, we'll make all decisions in the best way.

Japan: new thinking on financial crisis

by Our Special Correspondent

In a series of major diplomatic and economic initiatives, the Japanese government has begun to demonstrate a new quality of thinking among leading institutions concerning the global financial crisis. Although the policy shift is not yet defined in terms of a specific, detailed program, nonetheless, what is under way could have a profound impact on the future of Asia and the world as a whole.

In discussions with leading Japanese government and business leaders in Tokyo during November, this correspondent saw for the first time a marked difference in the thinking about the nature of the global economic crisis. Practically every Japanese official had read *EIR* Founder Lyndon LaRouche's article "Save Japan, Not Banks" (*EIR*, Oct. 2), which received nearly universal acclaim for its accuracy and understanding about the problems facing Japan. Although the banks are still exerting far too much influence over Japanese policy, there is a recognition of the need for, and movement toward, reestablishing a new "industrial policy" for Japan and the rest of Asia. These measures are relatively tame, but they represent a step toward facing up to the end of the International Monetary Fund (IMF)-defined global financial system.

A global depression

In one of the most significant developments, Japan's Economic Planning Agency issued its annual White Paper on the state of the Japanese and world economy, which warned of the threat of a "global depression." Citing six indicators, the EPA report, which was approved by the Japanese cabinet, called upon the United States, Japan, and the European Union to massively "expand . . . financial assistance to emerging nations."

The EPA report stated that there could be several immediate causes of a global depression, including 1) a decline in the U.S. stock market and a chain reaction in stocks and currencies in the developing economies; 2) management failures in financial institutions and a destabilization of the financial system; 3) a worldwide credit crunch; 4) a prolonged economic slump in Japan and a collapse of its financial system; 5) the devaluation of the yuan (China's currency); and 6) expansion of the U.S. current account deficit and a return to protectionist measures by the United States. The report