

“underclass”: “The Negro lower class must be dissolved. . . . It is the existence of this lower class, with its high rates of crime, dependency, and general disorderliness, that causes nearby whites to fear Negroes and to seek by various ways to avoid and constrain them.” The way to accomplish this was *not* to provide blacks with essential services and programs. Rather, Moynihan proposed to treat them with a policy he called “benign neglect.”

During July 1969, Moynihan wrote a memo to President Nixon, which attacked any increase in spending for Medicaid and Medicare—the programs of medical assistance to the poor, and the elderly and disabled—as “money down the drain.” This was the opening salvo, in coordination with Nixon’s Health, Education and Welfare Secretary Elliot Richardson and Office of Management and Budget Director Caspar Weinberger to push for cost containment and the Nazification of U.S. medicine, through health maintenance organizations. This culminated in the formulation and passage in 1973 of the Health Maintenance Act.

It was also Moynihan who formulated and drafted the 1971 “Family Assistance Plan,” which would have compelled welfare recipients to work at slave-labor jobs. Largely as a result of the fierce opposition led by the LaRouche movement, that legislation failed. But with a slight makeover, it became the Welfare Reform Act, which Vice President Al Gore rammed through Congress in August 1996.

Co-chairing the Bush Social Security Commission is Richard Parsons, of largest U.S. media empire, AOL Time Warner, who was a former aide to the genocidalist New York Gov. Nelson Rockefeller during the 1970s.

But the dangerous nature of the 16 person commission does not stop there. Wall Street’s command center for privatization is the “Social Security Privatization Project” of the lunatic Cato Institute of admirers of Friedrich von Hayek. The Cato Institute receives funding from Citigroup, Chase Manhattan Bank, Fidelity Investment, American Express, and arch-speculator George Soros, all vultures eagerly eyeing Social Security money. Five commission members are attached to, or collaborate with the Cato Institute’s Privatization Project. Two commission members, Sam Beard and former Rep. Timothy Penny, serve on the Privatization Project’s speakers bureau. A third, Carolyn Weaver of the American Enterprise Institute, was described by a Social Security expert at Cato as “the key person around the White House pushing full privatization”: She is Bush’s senior adviser on Social Security.

Richard Pozen, vice chairman of Fidelity Investment, the world’s largest mutual fund, and a fervent proponent of privatization, is also a member.

The privatization proposal of the Bush commission is a gigantic looting swindle, and the same outlook that created the HMOs and slave-labor welfare reform, would now be applied to the elderly. But if they succeed in grabbing their loot, everyone will lose, as a stock market crash wipes out Social Security, and their loot as well.

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## Interview: Sergei Glazyev

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# How Can the World Get Out of This Crisis?

*Dr. Sergei Glazyev is a Corresponding Member of the Russian Academy of Sciences, and Chairman of the Committee on Economic Policy and Business of the Russian State Duma (lower house of Parliament). He was interviewed by Rachel Douglas of EIR and Gabriele Liebig, editor-in-chief of the German weekly Neue Solidarität, on May 5, in Bad Schwalbach, Germany, where he had spoken the previous evening, together with Lyndon H. LaRouche, Jr., on the opening panel of the Schiller Institute’s international conference. (See last week’s EIR for the proceedings of that panel.)*

**EIR:** The name of our conference, Sergei Yuryevich, is “The Ecumenical Battle for the Common Good.” In your speech last night, you said that you thought that this conference was particularly timely. Can you tell us why you think so?

**Glazyev:** Well, yes, I think that this conference is a very important one, and it takes place just in time. Because, at the moment when the world financial system is going through a turbulent crisis, which becomes deeper and deeper, we should think about what will be the possible way out of this crisis, and what could be done, in order to avoid financial catastrophe, together with economic catastrophe, which would split the entire world into separate regions, and everybody will survive for himself. Here, at this conference, we not only learned from worldwide experience what happens in different parts of the world, in this very complicated and difficult situation, but also we are elaborating possible scenarios for overcoming the financial troubles and switching to a worldwide development process, which will be based not on financial bubbles and financial speculation—on virtual economic activity—but will be based on the improvement of the real life of the people, in terms of growth of real production, of growth in GDP per capita, of improving technologies and increasing the quality of life.

**EIR:** Mr. LaRouche spoke about what he calls “the Vernadsky strategy,” and said that the special role of Russia in this process can be based on its technological, scientific traditions and the idea of great infrastructure projects in all Eurasia. How do you view, how do others in Russia view the infrastructure proposals of the Schiller Institute and Mr. LaRouche on the Eurasian Land-Bridge?

**Glazyev:** I think that Russia really could and should play a very important role in the establishment of the new world



*Dr. Glazyev, author of Genocide, the most thorough work damning the 1990s "privatization" looting of Russia, speaking at the Schiller Institute's Eurasian Development conference on May 4.*

architecture. And, insofar as we are speaking not about virtual economic activity, but about real economic growth, we should think about how economic development could be promoted, not only in Russia or in other countries, but for the whole world; because at the moment, the whole world financial system is going into trouble. A lot of countries now lack capital. They could not find access to the capital markets, they do not have credits to develop their infrastructure, and develop their products. And for this reason, at this conference, and especially in the work conducted by the Schiller Institute and Mr. LaRouche, we see very fruitful—to my mind—ideas concerning the promotion of economic growth in the new economic situation.

Here, I should say that one of those ideas, the establishment of large infrastructure projects, is one of the most actively discussed in Russia at the moment. We are speaking about a new stage of life of the Trans-Siberian Railroad, which could connect the Far East with Western Europe.

**EIR:** And also the BAM, the famous Baikal-Amur Mainline.

**Glazyev:** Yes, the Baikal-Amur Mainline is a part of this Trans-Siberian corridor. It's finished now. Maybe few people know it, but just a few months ago, the last important tunnel was built. At the moment, we are ready to put this railroad into full-scale operation. It means that various goods could be delivered from the Far East to Western Europe, and vice versa, in two weeks.

Another very important infrastructure project, which is being considered in Russia at the moment, is the modernization of the Northern Sea Route. The Northern Sea Route is

another opportunity to connect the Far East with Western Europe. It also takes about two weeks by ship, to get goods from Japan to, let's say, the Netherlands.

**EIR:** And this is navigable for how many months during the year, with the ice in the Arctic?

**Glazyev:** In fact, theoretically, it could be used year-round, using modern nuclear icebreakers. But, of course, usually it operates for half the year, starting in June or May, and finishing in October-November. In any case, using new technologies—constructing not only nuclear icebreakers, but also opportunities to use underwater transportation, and so forth—we can push this sea route to operate the whole year.

**EIR:** So, there are many possibilities!

**Glazyev:** Yes, and, finally, I should say that we should speak also not only about the connections between the Far East and Western Europe, in Eurasia, but also we must think about how to improve communications between South and North. Here, I'd like to say that we have already made some important decisions in Russia. For instance, we opened the air route over the North Pole, so now airplanes from India can reach North America over the North Pole, which is about two times less distance than the usual one. I'm sure that this new air route will also be very important for further economic development.

Recently, during the visit of the President of Iran to Russia, we agreed to open another very important communications and development channel, from South to North, from Iran through the Caspian Sea and the Volga River, to the

northern part of Russia and the Baltic Sea.

**EIR:** And, I understand, Iran has negotiated also with India on the completion of this North-South route.

**Glazyev:** Yes, and on this route, you can use already-existing water channels, which connect the Caspian Sea with the Baltic Sea. It makes easier and cheaper the transportation of goods in large quantities, through these transnational routes.

**EIR:** Many people don't know that the inland waterways in Russia have a very long history.

**Glazyev:** Yes, from Peter the Great. We have connections through river channels, between all the seas in the European part of Russia: the Black Sea, Caspian Sea, Baltic Sea, and the Northern [Arctic] Ocean.

So, the formation of these development corridors, which will be based on modern transportation technologies, is a very important device to stimulate economic growth and economic development.

But I'd like also to stress that, at this conference, which is very important, we think about how to combine the comparative advantages of various countries in this very large region, to push them into mutually beneficial cooperation, and how to combine efforts in order to achieve high rates of economic growth.

The point is, that economic growth is not an even process. Each time, you can see growing industries and declining industries. You can see the emerging opportunities, and the closing of this or that sector of economic activity. The theory of long-wave economic development, which was elaborated by the Russian scientist Kondratieff and then by a lot of followers, all over the world, who now have established the long-wave theory, gives a very good chance to forecast what will be the future locomotives of economic growth, and to concentrate the efforts of those countries in taking those opportunities, together, using their comparative advantages, and trying to establish locomotives for growth for the new long-wave economic development period.

And here, from the Russian side, we can see such technologies as nuclear energy, natural gas recycling technologies, aviation, airspace, telecommunications — also biotechnologies: those industries which are growing [at rates of] from 20% to 100% per year, at the moment, and which really could give us new opportunities for growth.

**EIR:** New horizons. I think we see why, in your book, *Genocide* — which *EIR* had the honor of publishing in English — which presents a very stark picture of developments in Russia, readers of this book have been struck by the tremendous optimism in your concluding chapters, and I think you have given us a very good idea of the scientific basis for this optimism. When we talk about new technologies, in Russia economists like Dr. Glazyev are talking in terms of the *real* economy, not just the Internet and personal computers.

**Glazyev:** You are right. If we concentrate economic policy

on the stimulation of investment and innovation activity, on the promotion of economic growth, based on new technologies, we could achieve fast and sustainable growth at a rate of up to 10% GDP annually. Russia has a huge capital stock (half of which doesn't work, due to the bad macroeconomic climate), an educated population, and a highly developed R&D sector. Using even just the existing savings, through a modernized banking sector, investment activity could be doubled. We lack appropriate institutions and mechanisms — both market, and government ones. The latter should work thoroughly, to start the market mechanisms.

**EIR:** I have a question about the Asian dimension of Russia's policy. When President Vladimir Putin was in Brunei last November, it was precisely there, with an Asian audience, that he — I think maybe for the first time in his speeches — brought up the question of closing the North-South development gap. He even used the term “the golden billion” [the privileged portion of the world's population], which is referenced in your book. My question is, what is the attitude in the Russian leading circles, to the Association of Southeast Asian Nations' (ASEAN)-Plus-3 [China, Japan, and South Korea] financial stabilization attempts — the mutual defense against speculators, and the kind of great physical economic projects that we talked about here?

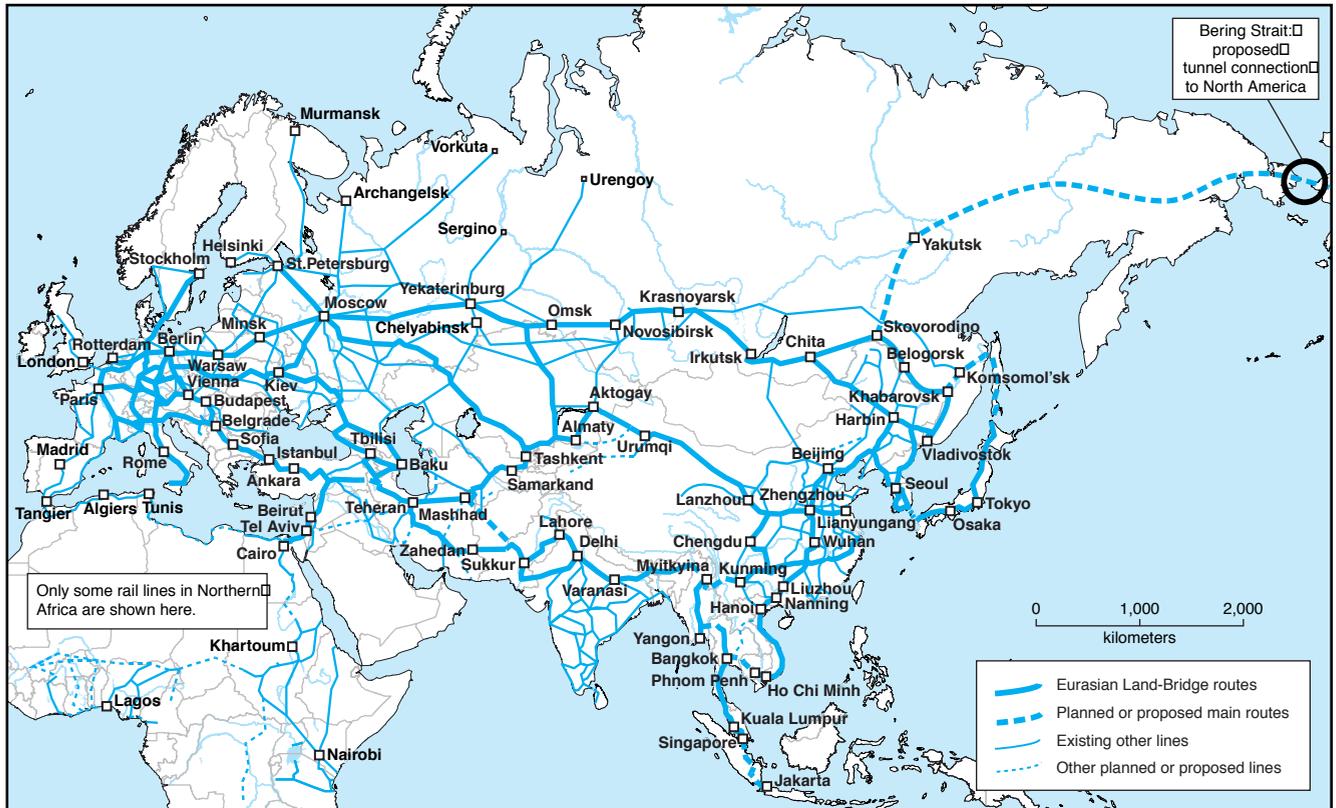
**Glazyev:** I think that it is obvious now, that the growth of financial speculation (which already led to the destruction of the Russian economy in 1998, during which Russia lost about \$20-30 billion and the banking system almost collapsed, and we see this from the experience of other countries as well, in Asia) is the major threat to the development of national economies all over the world. Even large countries couldn't really do anything, if various mega-speculators try to attack their financial system, in order to create instability and take huge profits from the disequilibrium situation which emerged.

For instance, if you take Russia's example, the financial speculators who invested \$1 in financial speculation in Russia in 1993, got about \$30 in profits in 1998, before the financial crash happened. This money, “earned” due to the redistribution of national income and natural wealth from the real sector, and from the savings of the population, moved through the financial pyramids into the pockets of the financial oligarchs, who took it abroad, together with the currency reserves of the Russian Central Bank.

In order to avoid shocks, coming from the financial speculators' activity, I think that all the countries that are interested in prosperity and development, should introduce in their economic systems some kind of filters, which will prevent speculative capital from having access to the internal market. Here, the lessons given by Malaysia are very interesting, because they show that relatively simple measures, in fact, could help to overcome the difficulties, which each country faces on the worldwide financial market. We need direct investments, and we should avoid speculative investments, the only goal of

FIGURE 10

**Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge**



which is to make disturbances in the market and create fluctuations.

I think that Russia also should implement, at least, so-called time-filters, which means that the currency regulation procedure should include the requirement for all investors who want to take money out of the country, to declare this intention at least half a year beforehand. This will help to separate the real investments from the speculation.

Another problem, is that in order to finance economic growth, especially in relatively small countries, you need credit facilities, which will provide long-term credits, with an interest rate that should be less than the rate of their growth. Otherwise, they will get into a debt trap. In order to organize credit facilities with such low interest rates and long-term schedules [of repayment], we need to establish new international financial institutions that will really help countries to develop themselves.

**EIR:** May I ask, in this context, about your work within, and the aftermath of the Ishayev working group? Readers of *EIR* know that you were a leading figure in the drafting of the Ishayev Report, which was presented to the State Council. Then, more recently, both you and Academician Lvov took part in the cabinet session of March 22, and presented this

perspective for the long-term development of the real economy of Russia. That, of course, includes many concrete ideas on the ability to generate credit internally, through the Development Bank institutions, and so on. Then, after the President's message to the Federal Assembly, you convened hearings in your committee, on exactly these questions, and you spoke very strongly, in public, when you said that the government was completely ignoring his instructions to go in the direction of technological development and the promotion of real investment. My question is, do you see that, under the force of the pressure of the reality of the world collapse, this thinking can change?

**Glazyev:** I think that it should change, in any case, because if the world financial system collapses, there will be no other chance to grow, than to create your own domestic development institutions, to channel financial flows into the real sector, to stimulate innovation activity and investment in new technologies — by means of various kinds of government economic policy instruments, which are known worldwide and which are successfully applied now in China and India, in Japan still now, and in other countries. So, in the event the financial collapse takes place, the only way to survive will be to develop the kind of financial system, which will bring together the banking sector with the real sector, and the sav-

ings of the population with investments, and which will stimulate economic growth by means of various kinds of development institutions.

Even if the financial collapse did not take place just tomorrow, and the financial system still continued under a turbulent regime of permanent crisis for, let's say, several years, in my mind Russia still has no other choice. Because, if we continue the narrow-minded Washington Consensus policy, removing the government from responsibility for what happens in the economy—even if we displaced the financial speculators and oligarchs, who now control the Russian raw materials, energy, and financial sectors—then the maximum rates of growth we could expect, in this situation, are not more than 2% per year. This is exactly the rate of growth, which is determined by the growth of the demand from abroad, for Russian raw materials, because, in the present situation, the manufacturing industries, agriculture, and other real branches of the economy have no chance to survive. Why? First of all, because the scarcity of financial resources, the absence of credit facilities, and the lack of monetary institutions create a huge barrier between the financial sector and the real sector. So, the companies in the real sector cannot get access to credit.

Another problem is that raw materials exporters are too interested in shifting to world prices in the energy sector, which just means bankruptcy for the majority of Russian manufacturing companies, because they would need to adjust to the new price situation. So, in order to push economic growth, to push existing capacities to grow, to implement new technologies, we need a development policy—an industrial policy: the active government stimulation of investments, and government control over financial flows, which will guarantee that the banking system and financial system work to promote investment activity and economic growth.

**Neue Solidarität:** Mr. LaRouche said that the Eurasian development is a precondition for any future for the African continent. I wanted to ask you your thoughts about that.

**Glazyev:** To answer this question, we should look at the whole global economic system at the moment. In the globalization process, which has been taking place during the last several decades, we see unequal economic development. In spite of the fact that, from the first point of view, the global market becomes united, and barriers between countries are disappearing, and the flow of goods, capital, and labor is rather free at the moment, among the majority of nations—at the same time, we see the growth of inequality in living standards, in economic development, and we see that the so-called global market, or global economy, is splitting into at least three types of countries.

The first one, which includes the G-7 countries and other highly developed economies, constitutes a core of the global economic system, which concentrates the intellectual and financial potential. This means that they create opportunity for

their companies to benefit from unequal economic exchange, because of taking intellectual rent and financial rent from worldwide exchange. Intellectual rent is the well-known phenomenon of the production of new goods, using new technologies. Those countries and companies, which can produce something new for the market, something more efficient, have so-called intellectual rent, which are the superprofits they take, because of their superiority in technology. The amount of such technological rent in present science-intensive products, could be more than half of the price. For instance, in the semiconductor industry, in information technologies, in telecommunications, in aviation, we see that the share of intellectual rent, embodied in these products, is between 20% and 60%.

This means that other countries, which must sell for export their labor-intensive products or natural resources, in fact pay for this intellectual rent, subsidizing the economic growth, the growth of technological progress in the developed countries. This inequality intensifies, with the economic development during the last decades.

The second source of inequality, financial rent, is taken by the highly developed countries, because they use their access to capital at low interest rates, and use their opportunities to extend credits to the rest of the world, at interest rates that are much higher than economic growth.

Bearing in mind that since 1971, the Federal Reserve System printed American dollars as a worldwide currency without any backing in gold reserves or other currency reserves, it means that it privatized the global currency and the right of money-creation. This means that the Federal Reserve System, together with financial companies linked with it, are getting so-called seigniorage from the whole world—superprofits, from creating money. This gives the opportunity to the financial monopolies, to get access to unlimited financial resources, which gives them the possibility to undermine, by financial speculation, the financial system of any nation in the world. Undermining the national financial system, they create opportunities to take huge superprofits through destabilizing the national financial system, creating a situation of disequilibrium, and getting huge profits, due to these distortions.

**Neue Solidarität:** How do you understand the connection with Africa, and the political side? Because if we don't manage to get this Eurasian development—

**Glazyev:** You see, it is a vicious circle. Somebody has to break it. These Eurasian development programs, which are discussed here, and the Eurasian integration perspectives, are a challenge. It changes the situation. It creates new opportunities, new facilities for credit to finance economic growth—much more just, and much more efficient.

So, insofar as the Eurasian countries could develop their own financial system and finance their own trade, their own mutual infrastructure projects, it would mean for Africa access to quite another source of capital and of technologies and

ideas. In order to ruin the vicious circle Africa is in now, it needs a new opportunity, and the Eurasian economic growth plans, which we are discussing here, could create such opportunities.

**Neue Solidarität:** I have one more question, on the concept of "Peace Through Development." When Professor Selim, from Egypt, was speaking, I thought about the backdrop of this Mideast war situation, against which he was speaking about this development project, of the Eurasian Land-Bridge extended into Africa through the Middle East regions, and so forth. I thought again that the motivation for why wars are being instigated actually is to prevent development. On the other hand, for decades already we have organized people around the concept of "Peace Through Development." I would like to ask about the application of this principle in the Russian Federation, and around the former Soviet Union where there are conflicts, especially in Central Asia.

**Glazyev:** I think that, in the present world, development could be only peaceful, since both political and economic stability are necessary for investment activity, for innovation activity. In order to reach sustainable growth, we should avoid various kinds of conflicts, especially larger conflicts, which create huge instabilities and disasters.

**Neue Solidarität:** I just wanted to mention the development dimension in Chechnya, in order to solve the Chechen problem.

**Glazyev:** Who financed the Chechnya War? We know very well that the mafia financed it, first, which in Russia, to a large extent, is based on the same people who were participating in this war. It involves the same people and the same mechanisms. Chechnya becomes a so-called terrorist state, which creates huge opportunities not only for terrorism, but for the mafia, as well. There were huge profits in the Chechnya War. And, I know that a large portion of the financing for the Chechen terrorists, comes from the West.

**Neue Solidarität:** Of course you need peace, for development. But Mr. LaRouche's idea has always been, that you can achieve "Peace Through Development." Are there reconstruction programs for Chechnya?

**Glazyev:** Of course, we very well understand that in order to reach peace in this region, you need to give people opportunities. You should create jobs there, you should create opportunities to be in business, to get salaries. During this whole period of the Chechnya War, the Russian Federation allocated billions of rubles, to invest in the Chechnya economy, to reconstruct it. We still continue to do this, in spite of the fact that a large portion of this money disappeared. Some plants were reconstructed, and then they were again destroyed. But, nevertheless, we understand very well that without huge investments in the reconstruction of the economy of Chechnya, there could not be peace there.

**Neue Solidarität:** What are the abilities of your Duma committee, as a whole, to promote the idea of the Eurasian Land-Bridge?

**Glazyev:** According to the Russian Constitution, the State Duma, the lower chamber of the Russian Parliament, in fact has very limited opportunities to influence real policy. I think this is one of the main mistakes in the present Russian Constitution, which leads to a huge concentration of power, without any responsibility, in the Executive Branch. The Executive Branch, without proper control from the Parliament, usually failed to elaborate the proper economic program, because it's under the influence of certain private interests.

But, nevertheless, the Russian Parliament has at least two opportunities for influence. The first one is the elaboration of new legislation, the creation of legislation. The second is the appointment of the head of government. This makes the State Duma an important place, where various projects are discussed. Maybe it is not as influential as a source of power, but it is rather influential in terms of intellectual influence, a source of ideas, and so forth.

Of course, the ideas about Eurasian development, which are presented at this conference, I'm sure will be very interesting for Russia. It will be also part of the economic strategy discussion, which we held, and which continues.

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