



*Lyndon LaRouche
at the Moscow
webcast, June 28,
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ral course for overcoming an economic and financial emergency” is “not to limit economic activity, but to increase it. Under crisis conditions, the market, the sole regulator of the capitalist economy, does not provide any obvious positive directives.” In a depression and/or a financial collapse, there would exist the paradoxical situation, that “despite curtailed production, demand is less than supply, thus leading to the tendency to decrease production further.”

Neither budget cutting, which reduces public contracts and mass purchasing power even further, nor lowering the interest rates, nor tax cuts, can solve the problem, but rather, they aggravate it, argued Lautenbach.

The key to the solution is to use the “surplus of commodities, unused production capacities and unemployed labor. “The use of this largely unutilized latitude for production is the actual and most urgent task of economic policy, and it is simple to solve, in principle.” The state must “produce a new national economic demand,” but it must “represent a national investment for the economy. One should think of such tasks as . . . public or publicly supported works, which signify value added for the economy, and would have to be done anyway, under normal conditions”—for example, roads, highways, and railroads.

Lautenbach then argued that the initial boost of infrastructure and investment projects would lead to an upward juncture of the whole economy, and that the [increased] tax revenue of the rejuvenated economy would be larger than the initial credit lines given by the state.

Had the Lautenbach plan of 1931 been implemented, the economic and political conditions would have improved in such a way, that the National Socialists would have had no chance to come to power, and World War II could have been avoided.

The realization of the Eurasian Land-Bridge is, therefore, today the best war-avoidance policy. It also represents the necessary vision of hope for the populations, which deserve a better Twenty-First Century than was the Twentieth.

Webcast From Moscow

LaRouche Defines Russia’s Mission in Eurasia

by Paul Gallagher

Together with the Russian Duma’s leading economist, Dr. Sergei Glazyev, Lyndon H. LaRouche, Jr. and his wife Helga Zepp-LaRouche spoke to the Russian press corps in Moscow June 28, on the prognosis of the current global economic collapse and the prospects for a “successful transformation” of the world economy. Their press conference, “The Economy of Russia Under Conditions of Destabilization of the World Financial System,” came at the start of a visit to Moscow which included presentations to the Russian Parliament. It was broadcast live over the Internet by www.internet-most.ru, and also included presentations by Dr. Jonathan Tenenbaum of the Schiller Institute, and well-known Russian economic forecasters S. Bachikov and D. Mityayev.

This notable event followed important diplomatic activity by Russian President Vladimir Putin, in expanding the Eurasian Shanghai Cooperation Organization, and in debating U.S.-Eurasian relations with President George W. Bush. Lyndon LaRouche’s remarks to the Moscow press stressed the importance of the Shanghai summit to his own “Eurasian Land-Bridge” economic reconstruction policy. He also emphasized the importance of the “dialogue of civilizations” initiative of President Khatami of Iran, in light of the fact that Russian relations with Iran have been made a hostile target by the Bush Administration.

Dr. Glazyev, the head of the economic committee of the Russian State Duma (lower house of Parliament), and the author of *Genocide*, a detailed indictment of the 1990s privatization-looting of Russia, made opening remarks on the global financial crisis and the policies which created it. He emphasized that nations must listen to LaRouche’s proposals for defense against the effects of the crash, and announced that these matters would be discussed at hearings in the Duma on the following day, June 29.

Russian reporters asked LaRouche about the sinking of the U.S. economy, the relation of currency values and energy prices, the role of the World Trade Organization (WTO) in Eurasia; and, about the recent wild attacks in the Murdoch press in Australia against LaRouche and his co-thinkers there. The question of currency values—specifically, the

scheduled full introduction of the euro currency on Jan. 1, 2002—was also addressed by Helga LaRouche. She said that panic has broken out in Germany over this transition, and that it might be constitutionally blocked under current crisis conditions of inflation and bankruptcy of the city of Berlin and its banks.

In answer to a question about pegging currency values to energy prices, LaRouche insisted that stable currency values, essential to recovery, cannot be based on free-market valuation of any commodities; they must be based on agreements among governments to regulate currency values, to achieve planned expansion of hard-commodity trade. He identified the underlying problem as axiomatic: Policy-makers and citizens alike, nowadays, tend to think of all questions merely in terms of money, and money-prices, not the real economy and its productivity.

In response to a question, LaRouche tied the Murdoch press blitz against him in Australia, to his increasingly successful U.S. leadership of opposition to Bush's policies. "Australia is doing things for Bush in South Asia, which I'm opposing and criticizing effectively. So, I'm getting these attacks."

'This Crisis . . . Could Be the Best Thing'

Here are the opening remarks by Lyndon H. LaRouche, Jr. and Helga Zepp-LaRouche before a Moscow press conference, on June 28, 2001. LaRouche was preceded by Dr. Sergei Glazyev, who opened the press conference.

Lyndon LaRouche: I shall address three subtopics at one time: That is, the nature of the collapse; second, the possibilities of action to correct the effects of the collapse; and, thirdly, the indications now, of the possibilities that a successful transformation can be made.

The present world financial crisis is in its terminal phase. We can not predict the exact day on which the collapse will occur, because it will depend upon certain political decisions, which will accelerate or delay the point of actual collapse. But, the collapse is inevitable. The world financial system, the world monetary system, in its present form, will soon cease to exist, period.

Now, contrary to some people, a monetary crisis is not the worst thing that could happen for the world—it could be the best. It's like going to a doctor to have a cancer removed: It could be the best thing that can happen to you. The reason the system is collapsing, is that it should never have existed. Decisions made in 1971 to change the international monetary

system, followed by decisions made in 1979-1991, have created the present mess.

The key is obvious—or should be obvious. First of all, we have to put the existing system into bankruptcy reorganization. That means that, the \$400 trillion in short-term debt, to a large a degree, should be cancelled. Remember, that the world GDP is estimated in dollars, at \$42 trillion a year, right now. In addition to the normal debt, which is piled on nations, we have about \$400 trillion in various kinds of soft, speculative gambling-debt types of debt. We should remember that, at the end of the last World War, we put weaker currencies through fundamental reorganization, of that type. We had the experience of de Gaulle's "heavy franc," as a form of that, similar type.

Now, the possibility of recovering depends upon establishing fixed-parity rates among currencies—at least principal currencies. In other words, in order to get growth, you must be able to have long-term credit extended, first of all, extended at 1-2% simple interest. In other words, if the rate of interest is higher than the rate of possible technological and physical growth in agriculture and in industry, you can't carry the debt. What we must do, is what was agreed upon at Bretton Woods in 1944-1945: Peg all currencies to a fixed exchange rate, pegged on something like a gold-reserve system.

End free trade and end globalization. You can not have production, unless you can provide to the people who are producing, an income which enables them to stay in business. If you can not provide reasonable conditions of family life and health care for families, they can not continue to be a family, to function.

What you need is, a long-term system of agreements, usually extending up to 25 years, as for infrastructure, to start rebuilding the economy from the present mess it's in. That's what the United States, Western Europe, and Japan did between 1945 and 1964. Under those conditions, those parts of the world increased their prosperity and productivity, continuously. Since 1971, we have been living by cannibalizing ourselves. And, with the collapse of Comecon and the collapse of the Soviet Union, the world went insane, and they began to cannibalize everybody.

If we can get into a partnership around a key number of nation-states, on such an agreement, to reorganize the world system, we can come out of this mess—slowly, but we can come out of it.

The second point: Contrary to the usual free-trade economists, progress does not simply occur. Every period and every part of the world's economy has had a directive behind it, a purpose, a mission. When President de Gaulle was President of France, he called it "indicative planning." In the United States' between 1861 and 1876, one of the highest rates of growth of any nation in the world, it was the planning by Henry C. Carey and Abraham Lincoln that resulted in that achievement. This is not just an example. This is a part of

Russian history, as well as much of the rest of world history. The United States had a convention, a Centennial Convention, in 1876 in Philadelphia. As a result of this conference, attending it were the great Russian Mendeleev; attending also, were people from Germany, people from Japan. As a result of this conference, 1877, Bismarck changed the policies of Germany to the American System. At the same time, Mendeleev was able to convince the Tsarist government of that period, to imitate the United States transcontinental railway system. And, under the influence of Mendeleev, and later Witte, there was an industrial development of Russia, centered on these concepts. At that time, Japan accepted the same American System, and changed its economy and its national government.

It was the great, sometimes wartime projects of mobilization, which gave us all of the technology-drivers from which every great economic recovery came. And no new monetary system can function without a corresponding economic-policy driver—long-term goals. All great movements of economic development have taken at least a quarter-century to realize. Now, the greatest opportunity in the world, today, for economic recovery of the world, lies in Eurasia. For example: South and Central Asia, or South and North Asia, are essentially deserts, today. They are inhabited, but they are not developed. For Russia and for Central Asia, a Central Asian development—and even the tundra region of North Asia—is crucial for Russia’s future. To develop those resources, we must have, first, the basic economic infrastructure to be able to exploit them efficiently. We have Western Europe, which has economic potential, but which is presently bankrupt; it can not survive for its present purpose. The greatest concentration of world population, is in Central and East and South Asia. They have some technology in those areas, as China’s made progress, India’s made progress; but there’s not enough technology to meet the needs of the entire population of this region. The continued survival of the economies of Western Europe depends upon being able to utilize these markets for high-technology in Asia.

For the next 25 years ahead, Eurasia, as a continent, represents the greatest frontier of potential growth, for the world as a whole. What’s the reason? Russia, as the only truly Eurasian nation, is the necessary and essential link, between globally extended European civilization as a whole, and East and South and Southeast Asia. Without this coordinating role by Russia, the kind of realization which I indicate is needed, would not be possible.

To maintain security in Eurasia, so that insecurity doesn’t blow up the possibility of economic development, we also must have a dialogue of cultures, as President Khatami from Iran, proposed in a recent address he gave in Berlin. Because, you look at Asia, and Russia’s, in part, European culture, even though it’s a Eurasian nation. You have most of the world, such as the Americas, are dominated by a globally extended European culture. Then you go to China, you go to India, you



Dr. Sergei Glazyev hosts the webcast.

go to Southeast Asia, and the cultural paradigms are different than they are for Europe and European cultures. The point is, therefore, we have to think of the danger, the threat of religious and similar kinds of ethnic warfare, as disrupting the potential future peace and economic security in Eurasia. And, therefore, we must accept the proposal, which was outlined by Iran’s President Khatami, in that recent visit in Berlin: We must understand, that to achieve economic security, we must achieve security through a dialogue of cultures, which prevents things like religious wars from destroying the opportunities before us.

Now, finally, in the final point: What is the likelihood we might succeed, in this fine reconstruction of the world economy? President Putin’s recent agreement in Shanghai, in the formation of a new consulting group, is an important step in the direction I’ve indicated. It is not the final step, but it is an important step, which echoes what Primakov, as Prime Minister, launched when he was Prime Minister: the idea of a three, triangular, Russia-China-India pivot for bringing relations in Eurasia together. That’s a first step. The discussions between the President of Russia and the German government and German circles, is another aspect of the same Eurasia potential.

Now, comes the final catch: What’s the role of the United States, in all of this? Well, we have a disaster in the new Presidency. But, we have some improvements, since he became President: We have Democrats who have taken over the Senate; significant numbers of Republicans are in revolt; every policy the President has put forward, has failed already. The gulf between the United States and Europe is deepening. Many of us in the United States of political influence, are very concerned about this situation. And, we are gaining some ground. So, we may get to our objective, but it will only be through a series of crises.

All I can say is, from my standpoint, the situation is clear; the alternative is clear; and, what we must do is clear. We must be clear in our own minds, about what we need to do: Then, I think we might succeed. Thank you.

Helga Zepp-LaRouche: Given the fact that I'm a German citizen, I just want to add, why it is in the fundamental self-interest of Germany to cooperate, not only with Russia, but with all the countries of the Eurasian Land-Bridge. The situation of the German economy and financial system, is not less dramatic than that described by Mr. Glazyev for Russia, or by Mr. LaRouche for the whole world. The de facto bankruptcy of the capital of Berlin, and the bankruptcy of Berliner Bankgesellschaft and the five banks involved, is actually the condition of every German bank. Right now, the inflation rate in Germany is 3.6%, according to the Federal Constitutional Court. For the euro transition, inflation can only be 3%.

So, we may see, very soon, constitutional actions to prevent the euro from coming into being. Especially because, there is, behind the scenes, panic in government and financial circles, about the fact that there are about 200 billion d-marks in cash, in addition to the several hundred billion d-marks in the central banks, which expectedly leads to total chaos in the transformation. So, Germany will be hit in the second, third, and fourth quarter of this year, with a combination of an increasing tendency of hyperinflation, depression, and chaos in the euro transition.

So, in this chaos, the euro may not come into being, which for the survival of Germany and Western Europe would be the best thing to occur. To maintain sovereign national currencies, in the context of economic cooperation of the Eurasian Land-Bridge, this serves the best interests not only of Germany, but of every European country.

Germany is dependent economically, on expanding export markets to ever-richer customers. Globalization has destroyed the traditional export markets of Germany: Africa is dying; Latin America is about to go the way of Africa; and many areas of the world are plunging into catastrophe. In the German interest, the collaboration of Germany with Eurasia, with the development of the Eurasian Land-Bridge, is an economic self-interest.

On a deeper level, it is in the security interest of Germany, because we in Germany remember very well, the connection between depression and war. If the existing plans in 1931 to overcome the depression, which existed in Germany around Dr. Walter Lautenbach and the Friedrich List Society, would have been implemented, the coming to power of the National Socialists could have been prevented.

Today, the danger of war exists in many places, in the Middle East, in Africa, in many other regions of the world, and I think it requires, today, the vision of all the countries of Eurasia, together, to determine a peaceful order, or future, and not the degeneration into war.

So, I'm preparing every positive force in Germany, and other European countries, to become part of such an alliance for a new financial system, and the Eurasian Land-Bridge, as the cornerstone for a global reconstruction program, in the next months to come. Thank you.

Another Greenspan Rate Cut, Another Disaster

by Richard Freeman

The Federal Reserve Board of Governors' June 27 quarter-point drop of the Federal funds and discount interest rates, to 3.75% and 3.25% respectively—the sixth cut this year—continued Chairman Alan Greenspan's mad flight forward to maintain the valuations of financial assets, by flooding the speculative financial bubble with money. The discount rate is now at a seven-year low.

Yet, the reaction to the rate cut, both from financial commentators from policy-makers, and from the real world, shows that Greenspan's circus-like image as the wizard of the markets, or the maestro who orchestrates the ascension of the economy, is shattered.

On June 26, Martin Mayer, author of several books on banking, wrote a piece on the *Wall Street Journal's* editorial page entitled "The Fed's Faded Glory." Mayer's conclusion: "Looking at monetary policy and what it does, Mr. Greenspan must now consider whether the benefit of pushing the stock market up a little [through cutting interest rates] is worth the growing risk that this time the Fed will be fueling inflation." On the day after the Federal Open Market Committee rate cut, a commentator in the Swiss financial daily *Neue Zürcher Zeitung* wrote that, since the previous rate cuts have had absolutely no effect, Greenspan now risks widening the huge imbalances in the U.S. economy.

Up until the second quarter of 2000, the Fed and Greenspan would only have to make some adjustment with interest rates, and the economy and financial markets would seem to spring back to life (although on a deeper level, the fundamental problems grew worse). But beginning Jan. 3 of this year, Greenspan has executed five rate cuts of half-a-percentage point each, and then came the June 27 cut: all in all, a 2.75% cut in interest rates in less than six months—a very strong dose of monetarist medicine indeed. And what has that accomplished? The economy is plunging downward, the Nasdaq stock market has collapsed, and the world monetary system has inched closer toward disintegration.

However, beyond that, as economist and 2004 Democratic Presidential pre-candidate Lyndon LaRouche points out, Greenspan's flooding the system with money to hold up the bloated mass of financial instruments, is generating a hyperinflation like that of 1923 Weimar Germany.

The legacy of the Greenspan policy is not just failure, but catastrophe. The collapse of the U.S. physical economy, from