

# Presidential Candidate Glazyev: Time For New Financial Architecture

by Rachel Douglas

Russia's mission in the world at the present juncture is to initiate the creation of "a new financial architecture," economist Sergei Glazyev proclaimed during a Feb. 5 press conference, on the eve of his certification as an independent candidate in the March 14 Russian Presidential elections. Mincing no words, Glazyev said the basis for decision-making has to be recognition that "the world financial and economic system is collapsing. It is close to a crash."

In place of the now crashing dollar-centered post-1971 system, Glazyev proposed that Russia "offer the world a transition to a new, just and reliable world financial system, which would be based on national currencies on the basis of equality. Each of the developed countries' national currencies would have equal opportunities to participate in world trade and economic turnover."

Glazyev is bringing this quality of strategic analysis and direction into an election race which President Vladimir Putin is widely considered a shoo-in to win. Glazyev says he feels morally obliged to campaign, in order to help Russia adopt policies in the national interest. As one of the country's foremost economists, Glazyev draws upon the work of the Russian Academy of Sciences and other research, including his own ongoing, public discussion of the global economic collapse process, and solutions to it, with Lyndon LaRouche and his associates.

Already in the Spring of 2003, Glazyev had urged that the countries that had tried to block the United States from invading Iraq, act to shift the strategic correlation of forces in a different way, by combining efforts to replace the dollar-based world monetary system with a new one. Now, he reported that he has raised the matter with European Union Commission President Romano Prodi, during one of the latter's visits to Moscow, and that "politically, the Europeans want this. And the Chinese want it, the Indians want it. In practical terms, it is possible to reach a consensus among a large group of countries and begin to move to a new world financial and monetary system that would be more stable, more reliable and more fair. That is the first priority, which Russia could implement in world politics. After all, the pivot of world politics is world finance."

## A Campaign To Change National Policy

The Rodina (Homeland) electoral bloc, which Glazyev co-chairs, entered the Russian State Duma (lower house of

Parliament) with a 9% showing in the Dec. 7, 2003 election. He now heads the Rodina group in the Duma. At the beginning of January, Glazyev filed to run for President as an independent. Rodina also attempted to nominate former Central Bank head Victor Geraschenko, but could not jump through the procedural hoops needed for his certification on the ballot—without petitioning—within the allotted time.

Glazyev's supporters collected over 2 million signatures on behalf of his candidacy, which was approved by the Central Elections Commission on Feb. 8.

Asked why he was campaigning for the Presidency, given Putin's great popularity, Glazyev said at his press conference, "I am running, in order to change the policy of the country." He said he takes far less pleasure from politics than from scientific work on the nature of growth in a modern economy. But, "I am forced to engage in politics," he said, for moral, patriotic reasons. Elections (*vybory* in Russia, or "choices"), said Glazyev, really should provide a choice. Today, the choice is between "the inertial policy of serving the balance of power among various interests, which was established under Yeltsin," or an active policy of change in the interest of Russia. He said, "If we are heard, I believe that public opinion can change very quickly. I trust people to act in their own interest, and vote for me."

Glazyev stressed not only Rodina's highly publicized "natural rent" policy for raising budget revenues, by the taxation of natural resources exploitation, and spending the revenues on social needs. He said that Russia must "return property to the people" in other ways, as well. For example: "Restore property rights to people whose savings were stolen" by the devaluation of the ruble in 1992 (the year of 2,600% inflation). "If we don't do this, forget about property rights for a long time." Glazyev said he has a five-year program for restoring these savings, adjusted to the 1991 purchasing power of the ruble, on condition that those funds be spent on or invested in Russian-produced goods.

Glazyev devoted three-quarters of his opening remarks to



*Sergei Glazyev*

the dirty tricks launched against his campaign up to now—quite apart from fractures within Rodina over differing approaches to the Presidential race, which surfaced over the past month. He strongly denounced TV stories that attempted to portray fraud in petitioning for his candidacy, stories that had set the stage for a raid on Glazyev's campaign office in the industrial town of Izhevsk, by the local branch of the FSB security agency.

## Russia's Mission

Glazyev's incisive remarks on what Russia should do for the world financial system came in reply to a question, as to how Russia's foreign policy could become more influential. He answered in terms that bear out Russia's identity as one of the few nations in the world, whose elite thinks as the leadership of a world power. He said that in order to have "increased influence on the world economic-political process," Russia must have, inside the country, a model of society that is attractive to other countries. Such a model must correspond to "Russia's historical mission."

Throughout history, Glazyev said, Russia has played a positive role, when its state policies for society corresponded to a historical mission. He said this was understood by Russian philosophers, including "those who developed the doctrine of Moscow the Third Rome" (the idea, emerging in the 15th and 16th centuries, of Moscow as successor to the fallen empires of Rome and Byzantium; for an important layer of Russian patriots, the "Third Rome" reference denotes an image of Russia as both unconquered, and uncorrupt). This should mean, according to Glazyev, Russia as a "just, humanist model of state organization," which is not feared because it has the nuclear bomb, but is attractive because of its qualities. "If we lose the moral ideal," he said, "then we shall have no influence."

The intertwined themes of economic revival and Russia's mission in the world have preoccupied Glazyev for a decade. Minister of Foreign Economic Ties in the first Yeltsin cabinet (1992-93), he quit in protest of the looting of Russia in the name of "reform" and President Yeltsin's abolition of the Parliament and Constitution in September 1993. Glazyev's 1998 book on what those reforms had done to Russia was titled *Genocide*.

In late 2000, at a Moscow gathering in memory of Russian Schiller Institute leader Prof. Taras Muranivsky, Glazyev said, "Nobody can bring financial speculators to sobriety. They will gamble till they drop. Therefore the appeal we find in the pages of *EIR* magazine, which Prof. Muranivsky also wrote about, is absolutely correct: that we must prepare for the moment, when the financial catastrophe will take place and the entire world will experience a vacuum of ideas, a crash of hopes, and a search for a new alternative. We should propose that alternative. And Russia, having already experienced the crash, should be working on that alternative today."

Six months later, in June 2001, Glazyev convened hearings of the Duma's Committee on Economic Policy, which

he headed, on "Measures To Protect the National Economy Under Conditions of World Financial Collapse." He invited Lyndon LaRouche to give the keynote testimony and introduced LaRouche to the Moscow press and a TV audience, at a press conference before the hearings. Today the approaches to financial reorganization and physical economic reconstruction, discussed on that occasion by LaRouche, by Academician Dmitri S. Lvov, and by Glazyev, are ideas whose time has come.

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## Documentation

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*Excerpts from the question and answer portion of Sergei Glazyev's press conference of Feb. 5 have been translated by EIR from the video available from RIA Novosti, [www.rian.ru](http://www.rian.ru).*

More specifically, the key priority today in world politics, where Russia could take the lead, is the formation of a new world financial architecture. Under the pressure of the excessive emission of dollars that has taken place over the past 30 years, the world financial and economic system is collapsing. It is close to a crash. This crash will deal an enormous blow to the entire world economy and finance.

For many years, I have been warning our banking and monetary officials that Russia's excessive dependence on the American dollar, the accumulation of our currency reserves in dollars, . . . was a shortsighted policy. That because of the inevitable devaluation of the U.S. dollar, the inevitable sagging of the entire world financial system due to the Americans losing control over the emission of their own currency—and today the world financial system is collapsing under the weight of this excessive supply of dollars—we should have freed ourselves from this dependence. If the Central Bank had followed my recommendations two years ago, we would have saved \$20 billion, which we have lost due to the devaluation of the dollar, which continues to be dominant within our national gold and currency reserves.

Today, only Russia could offer the world a transition to a new, just and reliable world financial system, which would be based on national currencies on the basis of equality. Each of the developed countries' national currencies would have equal opportunities to participate in world trade and economic turnover. The Americans' use, or rather appropriation, of the right to issue a world currency has undermined the stability of the world financial system. But nobody can issue a challenge to the Americans, to shift to a new architecture of world financial relations. The European Union is too dependent on the United States; moreover, in the structure of how political and economic decisions are made, the weight of the United States, strange as it may seem, is greater than that of any European country. China cannot issue the challenge, because China is too dependent on the American market, and China's \$300 billion in dollar reserves also deters it from acting along



Russian economist Sergei Glazyev, shown here with his book *Genocide: Russia and the New World Order*, is a Presidential candidate and former Minister of Foreign Economic Ties.

these lines.

Only Russia, at the present time, could 1) take active steps to transform the ruble into an international reserve currency, and 2) propose to all countries to shift to an equality-based, mutually beneficial system of financial and monetary relations, rejecting the use of the national currency of any one country as a world currency. We should get away from the excessive dependence of the world financial system on the currency issues of any one country, and shift to a system of equality-based financial and monetary relations.

This could be done in agreement with the European Union, as I proposed to Mr. Prodi when he was here for talks. I can say that, politically, the Europeans want this. And the Chinese want it, the Indians want it. In practical terms, it is possible to reach a consensus among a large group of countries and begin to move to a new world financial and monetary system that would be more stable, more reliable and more fair.

That is the first priority, which Russia could implement in world politics. After all, the pivot of world politics is world finance. And Russia's role could become very important here. . . . to define a principled position and achieve serious changes in the interest of the entire world community.

## Asia Ponders 'Exit Strategy' From the Dollar

by Kathy Wolfe

While the world is asking for the truth about Vice President Dick Cheney's allegations of weapons of mass destruction (WMD) in Iraq, Asia's elites are asking: What is the truth about the state of the U.S. dollar? The dollar has so shrunk that during 2003 alone, Asian central banks had to buy over \$500 billion worth, just to support the U.S. currency's falling price. Their holdings of dollars ballooned to \$1.9 trillion, a growth of over 35% during the year. That money goes directly back into support of the U.S. bond and stock markets, effectively financing the American war and its trade deficit. This is an obscenity for Asia, since these dollar-support hundreds of billions could be used for domestic investment to raise the living standards of billions of people in the Far East.

The region's politicians and economists are charging their governments with mismanagement of the national savings, particularly now that U.S. Treasury Secretary John Snow has said that he wants to let the dollar drop further in Asia. This means every dollar will be worth far less tomorrow, than the price paid today. Since 2002, the dollar has already dropped 22% against Japan's yen, falling 12% just in the four months from September 2003 to January 2004. Japan now has an amazing \$741 billion in dollar reserves—which have *lost \$111 billion in value*, compared to the amount of machinery, for example, which the same cash bought 15 months ago inside Japan.

### 'Sword of Damocles' Over Dollar

"Japan and the EU are concerned about the current weakness of the dollar, but the U.S. is quite satisfied with it," Eisuke Sakakibara, former Japan International Finance Vice Minister, told the *Japan Times* on Feb. 3. "We can't let this situation continue. We will not be able to maintain the same level of intervention for a few more years. . . . [We] will eventually have to think about how to exit from such a strategy."

Paper dollars are piling up so fast that the current strategy is simply unsustainable. The four top Asian central banks alone had to buy \$300 billion in 2003, and were holding \$1.5 trillion by end January 2004: Japan \$741 billion, China \$403 billion, Taiwan \$207 billion, and South Korea \$157 billion. This is double the amount the top four had just two years ago, and it will double again sooner. **Figure 1** shows, as an example, the almost logarithmic rate of rise of Japan's dollar reserves.