

especially for the technical intelligentsia, who had been waiting for such words from its leadership for many years. In the year 2000, Vladimir Putin was inaugurated for the first time, and there was a certain enthusiasm in the same circles of the technical intelligentsia, who hoped that a change would happen immediately. And this enthusiasm was so high, that two major industrial projects which at that time had been stalled—the construction of the Rostov nuclear plant, and the final phase of the construction of the tunnel along the Baikal-Amur railroad project—they finished both projects, by the day of the first anniversary of Mr. Putin's inauguration. But there was only one paper, only one central paper, which covered this.

So they made a sort of heroic deed, but that was not noticed. And that's also very important, because when we speak about the shadow economy, and how it works, it's important to know that a large part of its investment goes into the mass media.

And when the state leadership, if the state leadership really wants to change the economy, or to make a breakthrough, especially in the economy, and generally through this, in policy, or both, he needs access to the population. That, to my mind, is the major problem Russia is having right now. That is, that the best statements made by the top leaders are not heard by the population, because the mass media machine is functioning in this free-trade mode. It purchases and produces the most profitable kinds of entertainment products, and it is difficult to hear the truth through this permanent exchange of thrillers and soap operas, then again thrillers, again soap operas; only after that comes ten minutes of news, from which you can learn something about Mr. Putin's new initiative.

So to my mind, that's a real problem.

Origins of a Policy Shift

But what I have to emphasize, that which was not heard, or was almost unheard, was that the change which took place, the revival of thinking, I would say, a revival of thinking in the Russian government, started not from the economic forums in St. Petersburg, and not in the Shanghai meeting. It started earlier. It started this year, when, in one of his speeches, Vladimir Putin referred to the example of Franklin Delano Roosevelt: He said in order to get out of a hard situation, in order to make a breakthrough—he used this word—we must use the experience of Franklin Delano Roosevelt.

So, don't listen to the official mass media to measure and interpret these and other words. Just try to find the truth through some actual events. So, you see an actual event, like the Shanghai meeting. You see the President of China there, you see the President of Iran, and the President of Afghanistan—it's important. Then they go together to Astana. That's also important. They launch a space satellite—that is what is really important.

And you look at the newspapers, and you'll see that some papers claim that "Vladimir Putin is a dictator, he is an anti-

American friend of Ahmadinejad, and therefore he is anti-Semitic," and so on and so on. You take another paper and it will write, "Vladimir Putin is the most pro-American politician of this century. He has sold this to America, this to America, this to America, and this to America. And therefore, he shouldn't be trusted by the real patriots."

Don't read this. Just listen to the truth.

Prof. Andrei Kobyakov

Paradoxes of a Bankrupt World Monetary System

Professor Kobyakov teaches economics at Moscow State University, as well as the Higher School of Economics, in Moscow. He is the author of books and articles, including "The Decline of the Dollar Empire and the End of Pax Americana" (2003, with Mikhail Khazin). In columns for Expert magazine and testimony before the State Duma, Kobyakov has laid bare the fragility of the financial bubble of derivatives speculation, which is the essence of the globalized economy.



As an editor at the periodical Russky Predprinimatel (Russian Entrepreneur), he launched a campaign to bring the theme of morality in economics, into Russian policy discussions.

I want to address some issues that are under discussion today. First of all this crisis of international financial system: To be frank, this question of the world monetary and currency system is not only the question of modern responsibility for the main issue of the world currency, and not only a question of a world economic model, but truly it is also a geopolitical question, a question of world power and control. Certainly there could be different ways to exercise this control, for good or evil. But certainly also, the international financial system, the international monetary system, is an instrument of such control. And well, we have now just what we wanted—I don't mean "we," but those people who constructed and reconstructed this system.

How Statistics Can Mislead

Since the 1960s, the American model has changed. And this is one of the main issues of Mr. LaRouche's speeches,

that the new-modelled “American dream” is to produce less and to consume more. So, now the situation is like this. Once I read in the paper that Steven Roach, the chief economist of Morgan Stanley global investment bank, said if the whole economy is a body, America used to be the head, or the brain, of this economy, and maybe hands that make things. But now, America is the world’s stomach: It only consumes what others produce. But this situation is somewhat unique, because production and money, money-issuing centers, are just completely different things. . . .

So the situation now is, the U.S.A. is the world’s stomach, and China is the world’s factory. China produces goods, and the U.S.A. produces some kind of paper. By paper, I mean dollar bills and different forms of derivatives, as well as Treasury bonds, bills, debts—all kinds of debt—Freddie Macs, and Fannie Maes, and so on. So, this is a very curious kind of international division of labor: Some people produce things, and some people produce paper.

There is a joke: If I got a loan from a bank, for example \$1,000, and I have nothing to pay them for this credit, I go to my banker and I say, “Listen, I have a problem, I can’t pay you.” But if this credit was not \$1,000, but for example, \$10 or \$100 million, I go to my banker and say, “Listen, you have a problem, I will not pay you!”

So, the whole financial system is now almost bankrupt. It really is bankrupt, but still it is a technical question, when this process will be completed. But it is only a matter of time, not a final decision.

We are now in a situation, where the discussion of such matters as a New Bretton Woods system or something of the kind, is a very keen problem, a real problem. Because I think that if politicians and professionals nowadays do not invent a new system, then this system will invent itself. We’ll see.

At the end of December, a Chinese statistical or census bureau published some very interesting information. For the last year, they had a kind of economic census, with one in every hundred Chinese participating. And the result was astonishing: They found some 16.5% of additional GDP! But truly, it is not that they didn’t know about it earlier. It’s just the Chinese way of thinking and publishing their news to the whole world community. It’s an Asian way of thinking: You must be not too big in everyone else’s eyes.

So now, they’re preparing to introduce this true situation to whole world community. What does it mean, 16.5%? Let’s make some calculations. We add this 16.5% to the 2004 GDP results; then we add 10% more, which was the GDP growth in 2005; then we multiply it by the official rate of the Chinese yuan, and we get some \$2 trillion. But this is not the real situation, because everybody knows that the yuan is extremely undervalued. And if you use purchasing-power parity—this is the true value of the currency: what you can buy with it. According to official World Bank figures, the Chinese yuan is undervalued by a factor of 4.5. So, we multiply this \$1.9—almost \$2 trillion—by 4.5, and we get

more than \$9 trillion.

The American economy is now officially somewhere around \$11 trillion. But, there’s a curious thing also, in the American GDP statistics: They include some kind of “imputed rent.” Do you know what I mean? If I rent a house to you, I produce some kind of a service. It could be valued and added to the GDP. But, what if I live in my own home? This “imputed rent” is calculated as if I were paying myself this rent money for this virtual service. No other country in the world has this as part of its GDP statistics! It’s 10% of the GDP of the United States of America. So, 10% less.

And now you have at least, that the Chinese economy is just like the American economy in size. And maybe this year, 2006, it will be the greatest economy in the world. It’s a completely new situation. Politicians aren’t used to this situation at all.

I suppose that if Western politicians and professionals will not discuss this Bretton Woods system within a very short time—maybe 5 or 10 years—then China will make a final strike against dollar hegemony, and propose its own currency as a world currency, without any discussion. . . .

Policy Shifts in Russia

Now, regarding these signs of a new policy in Russia. Yes, these words by Dmitri Medvedev are of very high importance, but they are not the only sign. It was just in May that Aleksei Kudrin, who is the Finance Minister of Russia, went to Washington to the G-8 meeting, and he gave an interview to American television and the Reuter agency, which was widely published in the world. He said that it is strange that we live in a situation where the world reserve currency is so unsustainable. And he strongly criticized this twin deficit situation in the United States, and he said that this whole situation is unsustainable. So it is also a sign that the Russian leadership now acknowledges this problem.

Then, on May 10, there was Putin’s address to Parliament and the nation. It was an absolutely new phenomenon, with absolutely new language, absolutely new ideas, ideas about a transcontinental Eurasian Land-Bridge, for example, in this address. Ideas of not just restoring the potential of Russian industry, but of super-industrialization, of new technologies, new energy. The whole project is, so to speak, a kind of concept for a new doctrine. Maybe it is just some kind of fake—maybe. We don’t know still, because there must be actions that prove it—this way or that way.

This month, just before my arrival here, I had some work as an expert. In Moscow there is a Higher School of Management; it is a body of the ruling party. And they are now preparing a textbook for party ideologists and activists. And I was writing three paragraphs for three teams, three economic teams, for this. All the ideas are completely new: modernization, sovereignty, and all kinds of things. I suppose that this process certainly is an inertial process; but if things move, this inertia will also exist! The inertia of moving.

So, maybe we are just at the beginning of this complete turn to a new paradigm. And I suppose that opens up new possibilities, new opportunities for the world economy and for Eurasian cooperation, which Mr. LaRouche talks about.

Thank you very much.

LaRouche's Closing Remarks

Russia, China, Eurasia And Mankind's Future

Lyndon LaRouche provided the following response to Dr. Kobayakov. These also were the closing remarks of the seminar.

LaRouche: This deserves a comment of approbation and supplementary comment on it.

The reality is this: Look at the situation in Eurasia. Now, I'm very strong on Eurasia, because I believe that what has happened in this sense, in Germany, in the relationship of Germany to Russia, and the relationship of Germany to the SCO, to the Shanghai Cooperation Organization and similar nations, is decisive in its potential for the world. The problem is that we can not, without a change in the United States to get back to something like a Bretton Woods system, we can not possibly create the kind of reorganization of the present world financial system, needed to do what can be done.

Now, Russia has two characteristics which are completely misunderstood. Vernadsky did understand it implicitly, but not completely. But what he did, because in his proof of the principle of the Biosphere, which is a very crucial scientific proof—one of the highest qualities of proof, with a very difficult subject to attack, which was not unknown at that time—but what he did, was actually go through this in a thorough way, with his fellow-scientists to develop a conception of the Biosphere, which *changes man's conception of the organization of the universe*. So, Vernadsky was a universal mind, with his own personal complications, but a universal mind. He was not a Communist. He was an anti-Bolshevik, but he was a Russian patriot. And Stalin treated him as a Russian patriot, which is why Stalin protected him against the members of the party. Because, Stalin said, "Don't be a fool. This man is a Russian patriot. Let him do his work."

Vernadsky's Concept of the Biosphere

And so, he did many things in Russia, under those circumstances. But, because of the difficulty of the circumstances, he did not have the opportunity to get the appreciation interna-

tionally which he deserved for his work. Even though he's much admired, he's called an ecologist by people who don't understand ecology. And he's not. Because, he also had the idea of the Noösphere, which he developed as a concept on the basis of his discovery of the Biosphere.

This is the point, coming to what Andrei just mentioned: There are three principles of the universe. First, the physics, the physical standpoint. First of all, we know there is a non-organic, non-living universe, as a phase-space—it's not the universe, it's a phase-space. And we associate that with chemistry, with those chemical actions which occur among non-living processes.

Then you have another space, which is what Vernadsky proved, exclusively: that there's a second dimension, a different principle which is not known to inorganic chemistry, which is based on the different kinds of chemical reactions that occur with living processes, as against non-living processes. This constitutes a growing part, a growing percentage of the mass of the planet, which is called the Biosphere.

There's also a third category, which is also a universal physical principle, which defines the so-called normal universality physics today, as merely being a phase-space, not a complete physics. And that is, the human being's mind, the ability to create, discover principles of universal principles, and apply them, *defines a new dimension of physical space as a whole, a new dimension of the universe as a whole*. The quality that distinguishes the human mind from that of the ape: the ability to make and synthesize discoveries of principle which change man's power in and other the universe.

Now, look at Russia today, and its role, as a Eurasian nation, from that standpoint. And now, look at China. Now, some people say, China's going to gobble up Asia. It will not gobble up Asia. It can not. It's impossible. China faces a potential crisis. The rate of growth it's had, in terms of its partnership with the United States in particular, has a real aspect, and has a fake aspect—an illusory one.

Drinkable Water for 8 Billion People

The great problem on this planet is raw materials, and this is the raw materials of the Biosphere. The one up now, is water, drinkable water. *The planet is running out of sources of drinkable water to sustain this world population*. We are using up, perhaps as much as 20% of the fresh-water supplies we are using, are *fossil water*, which means once they're used up, they're virtually gone. This is a case in many parts of the world.

If the human population is going to grow, then we must now produce, *synthetically!*, water. To produce the volumes of water required, synthetically for human existence, now requires, nothing less than high-temperature gas-cooled reactors. We can't even make a dent in it, without it. So anybody who is against high-temperature gas-cooled reactors is against the human race, and their opinion should be treated accordingly.