

IN THE LENS OF MENSHIKOV'S 80 YEARS

Russian-U.S. Relations: A Strategy for War-Avoidance

by Rachel Douglas

A Russian-American relationship centered on economic development can take the whole world off a track towards war, and open up prospects for betterment of the lives of people in all nations. That strategic fact has been implicit in world affairs, ever since Russia headed the League of Armed Neutrality during America's Revolutionary War against the British monarchy and London-centered finance. It was most efficient in Tsar Alexander II's defense of the Union during Abraham Lincoln's Civil War Presidency, and in the U.S.-Soviet alliance in World War II.

At the death of Franklin Roosevelt in 1945, his successor took FDR's vision of a decolonized, economically prospering post-war world off the agenda, and, with it, the hope of continuing Soviet-American interaction for economic development in the mutual and general interest. Instead, came the Cold War, an era of constant balancing on the brink of general warfare, and, increasingly, especially after the political upheavals of the 1960s in Europe and the U.S.A., of "bankers' dictatorship" in economic affairs.

The people who gathered in Moscow May 15-16, to celebrate the 80th birthday of the Russian economist Stanislav Menshikov, are uniquely situated to appreciate the possibility, and the necessity, of reviving Russian-American cooperation on the basis of Roosevelt's conception. Academicians, economists, former top Soviet journalists, and Communist Party consultants—members of the older generation, some of them having been leading figures in the Soviet Union during the Cold War—have a better appreciation than many younger people, of how indispensable the Russian-American relationship is.

Menshikov's adult life spans the World War II alliance, the Cold War, and its aftermath, when the Soviet bloc broke up in 1989-91. The congratulations and reminiscences offered at a special Russian Academy of Sciences meeting and a banquet in his honor, some of which we publish here, testify to his status as a thinker and activist, who has defied fixed habits of thinking about East-West relations, not to mention economic policy, since the 1950s.

Fluent in English since his childhood in a diplomatic family in London (his father, Mikhail Menshikov, went on to serve as Soviet Ambassador to the United States in the 1950s), Stanislav Menshikov repeatedly brought fresh approaches to understanding the U.S.A., into discussions inside the Soviet Union. One after another speaker at the May 15 jubilee session mentioned Menshikov's 1966 book *Millionaires and Managers: The Structure of the Financial Oligarchy in the U.S.A.* as an eye-opener that changed their view of the world. Two decades later, his publication in Russian of works by former New Deal advisor John Kenneth Galbraith shook the community of Communist Party economists and strategists, as Prof. Grigori Vodolazov recalled in a narrative poem, composed for the occasion, and read aloud by him at the May 16 banquet.

Being an intellectual maverick was not compatible with a smooth ride to the top in the U.S.S.R. More than once, Menshikov was yanked from one position or another. In 1986, he was booted out of the Communist Party Central Committee staff, as he relates in his just-published memoirs, for crossing the interests of other officials. He worked in Soviet foreign policy institutes, at the Academy's Novo-

sibirsk outpost, on the United Nations economics staff, for the Central Committee, as a *Pravda* writer, and he has taught at universities in Europe, as well as Russia.

Menshikov invited Lyndon LaRouche as a guest of honor at his jubilee celebration. He also dedicated one of the final sections of his memoirs to LaRouche, citing there, as in the jubilee speech published below, LaRouche's policies of the Eurasian Land-Bridge and a New Bretton Woods monetary system, as pathways to a safer and happier world.

LaRouche, for his part, took the occasion to tell Russian audiences about his own efforts, especially in interaction with a layer of senior diplomats, military men, and other professionals in and around the U.S. institutions of government, to bring about a positive American response to the Russian government's own current campaign to revive the policies of FDR. How LaRouche laid out a "four-power strategy for war-avoidance" (the four powers being the U.S.A., Russia, China, and India), and the response to it by Prof. Menshikov, Academician Alexander Granberg, and others, unfolds in the package of documentation from Prof. Menshikov's jubilee celebration, presented in the pages that follow.

Prof. Stanislav Menshikov

Looking Ahead: Russia And the World in 2027

Prof. Stanislav Menshikov presented this forecast as the keynote of a special session in honor of his 80th birthday, held May 15 at the Presidium of the Russian Academy of Sciences (RAS) in Moscow. He was introduced by Academician Valeri Makarov, director of the Central Mathematical Economics Institute (CEMI) and head of the Department of Social Sciences of the RAS, who presided over the meeting.

The free discussion following Professor Menshikov's lecture combined congratulations, with an impassioned discussion of the economic policies that will shape Russia's future and that of the world during the next two to five decades. This dialogue carried over into many of the toasts at the next day's banquet, which capped off the celebration of Menshikov's jubilee. The contributions to this dialogue from Lyndon La-



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Here is Professor Menshikov speaking at the banquet, with LaRouche to his left. In his speech to the Academy of Sciences, Menshikov looked ahead to the year 2027, when he would be 100 years old, to make a forecast about the economy of Russia and the world.

Rouche, Dr. Sergei Glazyev, and Academician Alexander Granberg, as well as Stanislav Menshikov's own further remarks, are included here. With the exception of LaRouche's remarks, they were translated by EIR from the Russian audio. Subheads have been added.

Thank you, Valeri Leonidovich [Makarov]. I would first like to thank everybody who has come to this session today. Thank you very much. Thank you for the warm feelings that I sense, the warmth that prevails here today.

I would especially like to recognize the foreign guests who are here today. They are the well-known American economist and political figure, leader of a mass movement, Lyndon LaRouche, who is here; he has come here. He is older than I am, though he walks better than I do, and I envy him that; this year he'll be 85. As he and I were talking today, he suggested that I come to his 85th birthday celebration in September of this year. We'll try to make it!

With him is his wife, Helga Zepp-LaRouche, who is also, among other things, the founder and scientific leader of the Schiller Institute, in Germany, as well as being a prominent political figure in that country.

I would also like to recognize the distinguished professor from Amsterdam University, the prominent Dutch scholar Karel von Wolferen, who has come here with his wife, Eithne. They are also here. He is well known as a specialist on many questions, including those related to Europe as a whole, and his books on Japan, in particular, are well known. Now he is a distinguished professor and a writer, the author of many books. Thank you for coming.

Among those who were unable to come, I would like to mention James Galbraith, the son of John Kenneth Galbraith, who is himself a professor at the University of Texas, and a prominent scholar; he could not come because his mother, who is in her nineties, is not well, so he had to remain in the United States.

Lastly, there is someone who bears a direct relationship to the lecture I am going to give, and who was also unable to come. That is the well-known British economist Angus Maddison, author of a great number of books on how the world economy has developed, and a compiler of statistics from the time of Jesus Christ, down to the present. He studies statistics on GDP. How he does this, I can't tell you precisely, because I think you understand that it is a rather complex undertaking, but it is all laid out in his books. At the last minute, he couldn't come because, as he told me, he succumbed to arthritis. I mention this both by way of expressing my regret at his absence, but, at the same time, he does bear a direct relationship to my lecture today because last year, when he had his 80th birthday, being still in relatively good health at that time, he managed to organize two conferences on the topic of the world economy in the year 2030. One of these conferences was in Groningen, The Netherlands, while the other was in Australia, where he also works, continuing to teach there until his recent illness.

These two conferences made a forecast for the world economy in 2030. He invited me to one of these conferences, to give the forecast for Russia. And I gave a lecture at that conference, on the development of Russia till the year 2030, in light of developments in the world economy. This is the same topic I am going to address today.

Long-Range Forecasting

For today, I've made a slight adjustment, in that I'll talk not about 2030, but about 2027, because in 2027, I shall be 100 years old. Judging by my present condition, it is unlikely that I shall be present at that jubilee celebration. And so, I would like to take a look ahead, as if I were to be present at my own 100th birthday celebration, at how I see that the Russian economy is going to have developed, along with the world economy, by 2027.

I have certain experience in long-range forecasting. At the UN, Wassily Leontieff and I worked on a forecast for the world economy up to the year 2000. This was published in

the well-known book *The Future of the World Economy*, which was co-authored and edited by Leontieff. It came out in the late 1970s in a number of languages, including Russian, so you can take a look and see that our forecast was vindicated, to some extent.

And so, returning to the topic of my presentation. The data regarding other countries are taken from the papers delivered by scholars at the conferences in the Netherlands and Australia, which I mentioned. The forecast for Russia uses my own data.

In any forecast, the point of departure is important. For Russia, the starting point is, of course, not very favorable. According to OECD and other quantitative world data, Russia's share in global GDP is somewhere between 1.5% and 2.5%. This is very small, far behind all of the major countries. Russia ranks tenth in volume of GDP. This is not such an achievement as our President thinks (he even mentioned in his recent Message [to the Federal Assembly] that we were tenth, and this was greeted by applause), if we consider that in 1990, Russia was in *third* place behind the U.S.A. and Japan. And not long before that, it was in second place. And its share in the world economy, according to that same OECD data series, was 9%. Together with the Comecon countries, it was 12%.

This all relates to the Soviet Union as a whole, not just Russia. So the Soviet Union, at that time, was a significant economic power—not only a military, military-technical, and, of course, political power on the world scene, but an economic one, as well. Now it has fallen to between 1.5 and 2.5%; and I have taken the more optimistic estimate, 2.5%, as my starting point.

Well, what is this? In part, of course, this was the result of the break-up of the Soviet Union, whereby Russia ended up as only a part of what that “empire” had been. And then came the deep crisis the country experienced during the not exactly well-conceived transition from socialism to capitalism.

In very recent years, from 1999 through this year, Russia has experienced steady growth, at a fairly high rate: 7% annually, or slightly more, on average, during those years. But throughout this period, it's as if Russia were racing to catch up with itself, because its GDP in 1998 was still 42% less than in 1991. And so, taking the entire period of 16 years, we have to say that Russia has only stayed even. That is, in 2007 it has just about caught up to its pre-reform level.

Of course, the structure of the economy changed during this period of time. That did happen.

Other countries, meanwhile, were not standing still; this applies not only to China, it applies to the United States, Western Europe, and the world as a whole. And the result is this 2.5%, Russia's share in world GDP. What will happen next with Russia's GDP? Can 7% annual growth be sustained, and should it be? There are people who have ex-

pressed doubt about the necessity of doing so. And those people are in the government, among those ministers who are responsible for economic matters. One of them, Alexei Kudrin, recently said something along these lines: Why should we continue to grow at these rates?

If we think about this question, it becomes clear that it is an imperative; that without this, Russia will most likely be unable not only to compete with other countries, not only to withstand pressures from other countries, but will be unlikely to survive as a unified nation-state, because a slower growth rate will most likely lead to an aggravation of the social and economic conflicts that are currently ripening, and to an intensification of centrifugal tendencies within the [Russian] Federation. Thus, growth at this 7% rate, at least, should be seen as an economic imperative for Russia.

Oil Bonanza, or an Industrial Policy?

But, can Russia do it? Usually, when looking at this period of steady 7% growth, our neo-liberal economists cite high oil prices as the basic cause. But this, of course, is not so. That is, the high oil prices represent only a partial explanation. Personally, I am more inclined to look at the question of how Russia's *productive* capacities developed during this period. If we apply to this 7% growth, the method of disaggregation according to basic production factors, i.e., labor, capital, and the total productivity of such factors, or a summary productivity factor, it turns out that most of the growth, more than half, is accounted for by the utilization of reserve labor and power, and excess capital, created during the crisis of the '90s; the utilization of capacities that already existed in the Soviet period, and were idled or underutilized during the period of economic crisis.

And only 10% of the total growth is accounted for by new capital investment. It is absolutely clear that these two basic factors are one-time factors, which cannot be the basis for further growth in Russia, since they are already exhausted. The only real source of growth has to be capital investment in new technology and the growth of fixed capital and, of course, improvements in the quality of labor.

This is the direction that essentially was indicated by what Vladimir Vladimirovich Putin stated in his most recent Message [to the Federal Assembly], where for the first time he presented something like an industrial policy for Russia. He didn't directly mention that term, which has been banned for a long time here. It was believed that only the market can properly structure the economy and, of course, create the forces that will bring about economic growth.

But the structure of Russian oligarchical capitalism is such, that it is not very eager to invest capital in sectors that it considers less profitable, and which involve long-term investment without a quick return. It prefers to invest its capital primarily in sectors producing for export, such as oil, alumi-

num, other non-ferrous metals, and steel. And there is no response to the President's appeals to invest in our own manufacturing industries.

From this follows the need for more active intervention by the state, which some people call state capitalism. And some people think that this means practically a return, or is a total return, or a planned total return to Soviet times, and that it would be a step backwards. Personally, I see it as simply the only possibility, with all its shortcomings, to channel capital investment in the direction it needs to go, into the more dynamic manufacturing industries and, of course, into economic infrastructure. Putin discussed all of this in quite some detail in his report, and I don't want to say more about it here.

This is the direction that I think will provide for fairly high growth rates. I see two scenarios: One scenario for successful growth would involve maintaining approximately 7% annual growth for the next ten years, and then a slight lowering of the rate to 5.5 or 6%, and something like 6.5% for the next 20 years as a whole. This is an optimistic scenario, which depends on the program that Putin outlined being implemented. We don't know if Putin's successor will continue along these lines.

Then the question arises: Fine, but what will happen if oil prices do fall? Where will we get money and resources? I don't think it makes sense to anticipate an abrupt drop in oil prices. Why? Because the world economy on the whole is continuing to grow fairly briskly. And the nations of Asia, first and foremost, are growing rapidly: China, India. China—very rapidly, at 10 or 11% all these years. India rose at 6%, and will be rising at 7 or 8%. None of these countries has its own oil resources. Therefore the demand for oil remains enormous and has grown at extremely high rates, and this demand should not be expected to drop off in the years immediately ahead, at least during the next ten years.

The question of alternative sources of energy is a speculative one. I do not think that alternative sources of power will appear in the near-term future. If they appear, fine, but demand for oil will be rising, and I don't think we should fear falling into some kind of financial hole.

Fine: Let us assume that the optimistic scenario will predominate, and comes to pass. Where will Russia be, within the world economy, in 2027, at the time of my centenary?

Preliminary calculations show that its world share, in that case, will increase. But it will increase to approximately 5 or 5.5% of the global GDP. Is that a lot, or a little? It depends on what you compare it with. By comparison with China, it will be very small. We are currently behind China, according to some calculations, by 50% (by a factor of two or more). Of course, we are ahead in per capita GDP, but in absolute GDP there is already a significant lag. By 2027, we shall be behind China by approximately a factor of four [with Russia's share

of global GDP being only 25% of China's—ed.].

The United States, by that time, will be in second place in the world economy, according to this forecast. It will be behind China, whose share of global GDP will be in the area of 23%. This is all approximate. The United States will have 17%, as against the 25% it represents today.

We, of course, will be far behind those countries. And, obviously, what Stalin posed, and then Khrushchov, about catching up to the United States, is not on our agenda, nor will it be during these next decades.

But our 5.5% will be greater than the share of any other European nation, such as Germany, France, Britain, or Italy. This will be a jump forward, and Russia will turn out to be in fifth place. Not in tenth place, but in fifth, with only China, the U.S.A., India, and Japan ahead of Russia by that time. Of course, if we take the European Union as a whole, then its members will account for 20%, and by comparison with the EU, too, our place will be rather modest.

What follows from this? The first conclusion is that Russia will not be one of the major partners, which determine the rules of the game in the world economy in 2027. It will still be a second-rank partner, and will need to orient towards alliances and cooperation with other major centers of the world economy, if it wants to remain at the forefront.

With whom should we ally, and to whom should we orient? This, of course, depends on your viewpoint. Mine is that Russia ought to be cautious. Russia will never, of course, break with the current industrial countries, but at the same time, should also orient towards the Eurasian triangle, by which I mean China-India-Russia. Why? Because, while the EU and the U.S.A. already now express some concern over what will happen if Russia makes a comeback, and whether this won't become a new threat, such as they consider the Soviet Union to have been, China, India, and other Asian countries do not perceive such a threat. In general, they are not afraid of Russia's development, especially insofar as, realistically speaking, it cannot not present any threat to them. Thus, we should orient to them, while not pushing away, but rather continuing to cooperate also with the industrialized countries.

Suffice it to picture a situation in which China, together with India and Russia, will be producing approximately 35% of world GDP, while the U.S.A. is producing 17 or 18%, and the EU another 17 or 18%. What is of concern, is that conflicts will arise. And, of course, the main conflict here, as you can see, will be between China and the U.S.A. Really, this conflict already exists now, because the rapid growth of the Chinese economy, of Chinese industry, and its exports have facilitated the widely recognized process of deindustrialization, both of the U.S.A. and of the EU. And if this process continues to develop in an uncontrolled way, with conflicts, then it is quite possible that around the end of the decade of 2010, or the beginning of the '20s, it could lead to a great

world economic crisis, on a scale such as occurred in the 1920s and 1930s—to a new Kondratieff downturn, so to speak.

LaRouche's Land-Bridge

But, of course, there is another possibility. And here I shall again mention Lyndon LaRouche, who is present today. He has put forward the conception of building the Eurasian Bridge. The Eurasian Bridge is a program of cooperation, with the participation of the U.S.A., Western Europe, Russia, with its scientific potential and enormous mineral resources, China, India—cooperation, for the purpose of building and reorganizing the economic infrastructure over the next 50 years. This will stimulate the progressive growth of the entire world economy.

But this plan can only be implemented, if there is cooperation among all of those countries; if their development proceeds in a conflict-free way. Lyndon LaRouche believes that one of the areas of such cooperation needs to be a monetary and financial reform, which he calls a New Bretton Woods. This means to establish a fundamentally new monetary system, which in some of its features will recall the old Bretton Woods, the system established at the end of the Second World War, which was subsequently destroyed.

Such a new world monetary and financial system, once more, will have to be based on cooperation among all the countries I mentioned. Just think about the exchange implications of China's and Japan's reserves, and those of Russia. It is enough to think about the U.S.A. being the biggest borrower, and the biggest debtor of China and Japan, to understand that simply going ahead into financial conflicts and trade conflicts, is a path that leads, of course, to a serious destabilization of the entire world economy.

Thus, 2027 may be a year by which the planet has been turned upside down, in terms of its economy. At the peak on top will be countries that were formerly considered the Third World, while the traditionally industrialized countries will find that their place in the international division of labor will be determined by certain highly developed, specialized sectors producing goods and services. We shall not go more deeply into this forecast, and these details.

My last pronouncement will be this: that Russia's path will be a path that upholds these projects for world cooperation. That is, while orienting towards the triangle, but without forgetting the industrialized countries, Russia should take part in those programs that will lead to conflict-free development that brings about a steady upswing of the world economy.

Thank you for your attention. I would just like also to say, that a more elaborated text of the thoughts I have put forward today has been published in the weekly newspaper *Slovo*, of which we have a hundred copies available [at the literature table], so please take them to read. Thank you.