

EIR Feature

Who lost Russia, and what will it take to save it?

by Webster Tarpley

Mr. Tarpley is a contributing editor of EIR and the president of the Schiller Institute in the United States. He gave this press briefing in Washington, D.C. on Dec. 1, 1993, reporting on his observations during a visit to Russia in October.

My talk this morning is divided into two overall parts. One is the attempt to describe some of the things I saw in Moscow during my stay in the month of October, and I'll also try to draw on analytic material and other reports. In the second part, I will try to propose a policy which would be an alternative to the current shock therapy, to which we commend people in the Russian political world and elsewhere, who are looking to alternatives to further subservience and looting by the International Monetary Fund (IMF).

What I tried to do, among other things, was to simply observe in the streets of Moscow, the parks, the subways, to have conversations with well-informed Russian citizens. I think the result is quite surprising.

The supporters of the shock therapy policies advocated by the International Monetary Fund and Jeffrey Sachs have been telling us that their recipes of so-called economic reform are leading Russia toward a bright future as what they call a "market democracy." I must say that any honest observer in the streets of Moscow can gather a tremendous amount of evidence that this is simply not the case. My direct observation in Moscow documents a mass impoverishment of the richest city in Russia, and it is an impoverishment which I think exceeds the depths of the Great Depression here in the United States, when you had lines of unemployed American businessmen selling apples in the streets of American cities.

Here is the spectacle that you can see in any large public square in Moscow, especially around the entrances to the Moscow Metro, the subway, in the center of the city, and around the principal railway stations; of these, there are about a half a dozen in the Russian capital. What you find are hundreds, even thousands



A single mother demonstrates in front of the Russian White House (Parliament) in September 1992. Her poster reads: "I demand an effective decree by Yeltsin on the social protection of single mothers." The child's poster says: "Gentlemen of the White House! We want to live and to have a happy childhood." Now, with a 200% increase in rents in Moscow on Jan. 1 and inflation raging around 1,000%, many hard-pressed families and elderly people will be thrown out onto the streets: the victims of shock therapy.

of people lining up in the entrances to the subway stations, the underpasses for pedestrians under the broad boulevards, and so forth. You see these large crowds and you're seized by curiosity: What is it that they're doing? As you get closer, you see that these are hawkers; it's a kind of a bazaar. You could call it one huge distressed yard sale. These are wretched people who are holding up in their hands a single object, item, product, that they're trying to sell. You'll see people standing there with one bottle of milk, with one piece of cheese, with one loaf of bread. Sometimes people are trying to sell a pair of slippers or a fur hat, if they're lucky, or a few pieces of fruit, a bottle of wine, or brandy.

You can tell from the way many of these people are dressed, from their manners, that many of today's miserable sellers and hawkers were, until recently, members of the middle class. These are not people who lived for decades in poverty; they are the new poor, the newly impoverished—office workers, teachers, and the like. These are the people that, under the regime of Jeffrey Sachs, are now standing outside in sub-zero temperatures into the late hours of the long Moscow night.

When you get inside the Moscow subways, especially at the main transfer points, you find that the halls there are also lined by these hawkers. You'll find elderly people holding up one, two, or maybe three copies of newspapers: *Moskovsky Komsomolets*, *Vechernaya Moskva*, or some other newspaper. The prices, of course, are all subject to negotiation and haggling. I was lucky enough to buy a small map of the

Moscow subway from an old man who had no teeth, and I paid a price of 200 rubles—about 15¢. I was surprised that there weren't more old people. I was told that the elderly hawkers have become less numerous since last year, since many of them have *simply died off*.

In addition to the vast majority of the vendors, who simply hold up some items in their hands, there are some that are more prosperous. Maybe you could call these the *kulaks* of shock therapy; those are the lucky ones, who have a folding table, or who can pin several copies of different newspapers up to one of their sandwich boards. But at the other end of the scale, quite numerous, are the destitute—old people and others—who have nothing left to sell, and who simply sit on the cold pavement, making the sign of the cross, and imploring the passers-by to have some pity on them.

I would challenge the American news media, television in particular, to explain *why they don't show this reality*, which is the first thing that any visitor to Moscow, or any other large Russian city, would see.

I would submit that these scenes can only compare to the newsreels of the apple sellers in the Great Depression in the United States, or the film clips of the impoverished German families selling their poor household goods during the hyperinflation of 1922-23.

I have had an opportunity to travel rather widely in the world over the past 25 or so years, and I must say that I have never in my life seen anything approaching the mass public immiseration that you have in the central places of Moscow.

Hyperinflation and unemployment

Russian inflation during 1992 was certainly in excess of 1,000%. That is already hyperinflation. There is no sign whatever that inflation has diminished during 1993: quite the contrary. During the time that I was there, the bread price was sharply increased; the fare in the Moscow Metro was also increased. What we're looking at today, on Jan. 1, is an increase of 200% in the rents that are paid by apartment dwellers in Moscow.

Let me read to you from a recent article in the *Frankfurter Allgemeine Zeitung* newspaper of Germany, from their reporter in Moscow, Elfie Siegel: "Not only pensioners, but handicapped citizens, and families with children, fear that they will no longer be able to pay their rents, that members of the so-called technical intelligentsia—scientists, artists, medical doctors, and teachers—will lose their homes. It will be a question of time only before the next wave of beggars and homeless will hit the streets and central stations of Moscow."

That is more of an honest report, I think, than you'll find in most American papers.

If you look at Russia today, a poverty-level income would appear to be in the range of about 90,000 rubles. Knowledgeable sources have told me that the average monthly wage in Russia today does not exceed 50,000 rubles. During my stay, and I think still today, the U.S. dollar oscillated around an exchange rate of approximately 1,200 rubles in the public exchange bureaus. This means that as of the early autumn of 1993, some 80-90% of the Russian population is below the poverty line. There are certainly coal miners, in some politically sensitive regions like the Kuzbass, who may nominally be earning 250,000 rubles per month. I say *nominally*, because the question for those people is, do they get paid or not? In many cases, it's clear they don't. On the other hand, the minimum necessary money to simply sustain a human organism in terms of food, would appear to be about 30,000 rubles per month. Now if you're a full professor, officially, you now make about 30,000 per month. And of course many pensioners come in well below that figure, so they starve.

The extent of unemployment in Russia is much harder to estimate. There are some estimates that if workers on unpaid furlough and part-time employees are added in, the result could already encompass 7-10% of the work force.

I met a young academic who was the holder of an advanced degree in chemistry. He theoretically had a job at a government research institute, but his monthly paycheck was approximately 25,000 rubles, and this paycheck was quite intermittent. So he was, of course, forced to moonlight, to scramble, to do anything to support his family. In another case, I met a leading fellow from a high-level government institute, who told me that he and his colleagues had stopped getting paid in June, although they had gotten one more of these minuscule paychecks shortly after Yeltsin's tank attack on the Parliament in October.

I would submit that these people, and their numerous

counterparts in the state production sector, must be considered as in fact jobless. They are unemployed.

As far as I know, there are no accurate figures whatsoever concerning actual losses of production under the shock therapy regime. I would simply say that the case of Poland seems to be a little bit better documented. President Lech Walesa suggested in public on one occasion that as a result of shock therapy, Poland had come out with one-third of the production that it had before shock therapy was applied. So I would guess, as a ballpark figure, that Russia is headed for something of this type.

A Weimar-style crisis

Apart from the obvious humanitarian concerns, why should this bother us here today?

Most reputable historians, I believe, would agree that the 1922-23 hyperinflation in Germany under the Weimar Republic was one of the most important factors that prepared the way for Hitler's seizure of power, and thus also for the Second World War. The high point of that Weimar hyperinflation was a paper mark rate of 4.2 billion marks to the U.S. dollar. This destroyed the savings, and of course much of the economic viability, of the German middle classes.

Today, you might argue that a dollar buys "only" 1,200 rubles, and inflation is hovering at "only" 1,000% per year. But my answer would be that the Sachs-IMF shock therapy has already gone very far toward destroying the Russian middle classes. And these Russian middle classes are of course far weaker than any German middle class during the Weimar Republic, precisely because under communism there has been no small and medium productive industry, which is the essence of a productive middle class. The problem, therefore, is that we are creating a social dynamic in Russia, through the IMF and shock therapy, that must tend toward the restoration of authoritarian and totalitarian rule.

At the end of October, it was already getting quite cold in Moscow, and I believe that statistics show that the month of November was one of the coldest in recent memory. So with that, the ruler of the real processes of Russian politics, General Winter, has come on the scene. As far as I can see, what is going on right now is a generalized breakdown of electric power grids all over Russia, all over the Community of Independent States (CIS), and some kind of a strike wave or labor upsurge that is related to that.

To sum it up, I think we can say that after almost two years of official shock therapy—and of course the various years of perestroika that went before—the *relative potential population density has fallen below the level of the current population*. In other words, current levels of agriculture and industry cannot support the existing number of people. Therefore even with military measures, even with aggressive conquest, the seizure of assets and raw materials, by one country of the CIS against others, there is no solution to this situation. Therefore, as we will try to show in the second part

today, what is needed is an economic reconstruction and development program, a recovery program, of which the Russian intelligentsia must be the bearer.

No democracy

Under these conditions, if the relative potential population density has fallen below the level of the existing population, it is certainly illusory to expect any kind of democracy—and we're not getting it. The Yeltsin regime has made no secret of its attempt to abolish a constitutionally independent Parliament, to abolish constitutionally independent courts, to remove the previous autonomy of what we would call the federal states of Russia.

I am afraid that it is illusory to talk about democracy here; rather, apart from the personalities, a valid historical comparison might take us back, let us say, to Italy, after the March on Rome in October 1922. We can remember that, as Mussolini was prime minister, he did organize elections after the March on Rome. There were elections, after all, in 1924, and it was only at the end of 1924 and the beginning of 1925, in particular around the Matteotti case, that a full totalitarian dictatorship in Italy was consolidated. I am afraid that the parallels in those situations are many. You may recall that there was also a struggle in Italy, in the first years under Mussolini, between the Parliament on the one side and the Executive branch on the other. This led to the creation of an opposition Parliament on the Aventine Hill in Rome. You can continue such comparisons.

The Russian Parliament that was dispersed by tanks at the beginning of October was certainly a mixed bag. But there is every indication that that Parliament represented many of the real forces that are present in Russian society. Certainly the alleged "red-brown" coloration of the Russian Parliament was, to a significant degree, a propaganda deception cooked up by Yeltsin's friends and avidly picked up then by the western media. The presence of *agents provocateurs* in and around the Russian White House was exploited to give this "red-brown" epithet some semblance of substance. But there were a large number of anti-communist, pro-western, anti-totalitarian deputies who opposed Yeltsin from the Parliament, on quite understandable political, economic, moral, and constitutional grounds.

The Yeltsin regime, as you can tell by talking to people in Moscow, is heavily identified with the growing power of the Russian mafia and related organized crime circles. A very important symbolic figure for this is Yeltsin's political ally, the mayor of Moscow, Yuri Luzhkov. Luzhkov sits atop an apparatus of extortion, protection money, and shakedowns which is known to enforce its will with extreme violence. I met with one man whose close friend, a manager of a business, had been killed while sitting in his office, by a sniper. I thought, of course, that this was political, in the sense of something connected to the goings-on around the White House. But it turns out, no, the most likely explanation for

this murder, which has not been solved, is that the businessman in question had refused to pay protection money to racketeers. There are many, many such cases known in Moscow today.

Many will also tell you that the sniping from the old Comecon headquarters, the mayor's office opposite the White House, was carried out by *agents provocateurs*, and that this was the reason that Aleksandr Rutskoy had called on the crowd to seize the ex-Comecon building. Many will also tell you that snipers were active in central Moscow at the TASS headquarters, and that the first shots at the Ostankino television complex were fired by provocateurs.

For some days after Oct. 3-4, snipers operated at a number of points in central Moscow. Were these in fact so-called red-brown diehards? Or were they, again, *agents provocateurs* deployed by some authorities? In any case, it now appears that the maneuver of illegally dissolving the Parliament had been carefully planned by Yeltsin and his people well in advance, with the calculated goal of obtaining an effect similar to the Reichstag Fire in Berlin in 1933.

Estimates of the carnage inside the White House start at 1,000 dead, secretly removed to unmarked mass graves or crematoria. It appears that a number of persons were executed after they had been captured.

In particular I would call attention to one human rights case. One of the members of the Council of People's Deputies of the Russian Federation, who was also a member of the Supreme Soviet, was Vitali Urazhtsev [see interview in *EIR*, Dec. 10 and 17]. Colonel Urazhtsev had been in the Red Army. He had founded the organization, or trade union, of Russian military servicemen, the Shield, or *Shchit*, group, in 1988. He was the leader of the Reform of the Army group of deputies in the Parliament. At the present time, Mr. Urazhtsev is in hiding, he is underground, because he has been declared an outlaw by the Yeltsin government, accused of organizing mass disorders. He is certainly one of the principal eyewitnesses to some of the important events in the October crisis. So we would certainly call upon the Russian government to respect Mr. Urazhtsev's human rights, guaranteed under the Helsinki and other international accords, and certainly to guarantee his safety.

This is one case of several in which people have simply been declared outlaws, as a result of things that they allegedly did during those days.

Now if Nero fiddled while Rome burned, Bill Clinton giggled when Moscow exploded. Clinton's support for an unconstitutional putsch on Sept. 21 was of course bad; even worse was, on Oct. 3, to issue a kind of blank check for what was clearly shaping up as a kind of new Tiananmen.

We see the same mistaken U.S. policy in the visit of Warren Christopher on Oct. 22-23. Without even a decent interval to let the smoke clear, Christopher arrived in Moscow with ringing endorsements for Yeltsin. On Oct. 23, Christopher was the featured speaker at an event that I attend-

LaRouche's record on Moscow, the Third Rome

This chronology traces the origins of Lyndon LaRouche's analysis of the Russian "Third Rome" cultural matrix. Soviet General Secretary Yuri Andropov's 1983 rejection of the U.S. Strategic Defense Initiative (SDI)—the program which LaRouche devised and President Reagan adopted—convinced LaRouche that Russia was on the way toward a post-communist form of Third Rome imperialism. A full timeline on this and related events was published in New Federalist newspaper on Oct. 25, 1993.

June 1983: In a series of published documents, LaRouche warns the West of the "Third Rome" threat from Moscow. If Moscow rejects the SDI, then Moscow is headed toward economic collapse and reemergence of a violently anti-western, imperial military doctrine. Under conditions of collapse, the Russian leadership reverts to the blood-and-soil myth of Moscow as the Third and Final capital of a world empire. Therefore, a post-communist

economic collapse of Russia is a grave danger to the West; the West must aggressively offer rapid scientific and technological progress and economic reconstruction to the Soviet empire, to break up the empire peacefully. LaRouche's 1984 presidential campaign platform, published in 1983, includes a chapter titled "The Roots of the Third Rome."

Aug. 10, Oct. 6, Oct. 26, 1983: Attacks on LaRouche and on the SDI by senior KGB official Fyodor Burlatsky in *Literaturnaya Gazeta*. Burlatsky calls the SDI "a *casus belli* for nuclear war."

Sept. 1, 1983: Moscow orders shooting down of Korean Airlines passenger plane KAL 007.

Sept. 6, 1983: LaRouche comments on the KAL shootdown in an article in *New Solidarity* newspaper: "What do the Soviets think of leading figures who deny the Soviets' 'Third Rome' strategy? They think of them as fools."

Sept. 18, 1984: An *EIR* article by LaRouche emphasizes: "The key to understanding the domestic, foreign, and strategic policies of the Soviet government today is a doctrine famously promulgated in 1510 A. D. by a mad but influential Russian Orthodox monk, Philotheos of Pskov. The same doctrine was defended savagely by the influen-

ed. I can only call this a kind of election rally for the Gaidar election slate, the so-called Russia's Choice. This was held at the Aganbegyan Institute for National Economy in the southwest corner of Moscow. If you looked up on the podium, the lineup was: Christopher, Aganbegyan, Gaidar, U.S. roving ambassador Strobe Talbott, and Ambassador to Moscow Thomas Pickering. There was very little time spent on the events at the White House just a few days before. Rather, Christopher's argument was, synthetically, that Yeltsin equals democracy equals the free market, and all of the combinations of that. I think this is the wrong policy, and some people have learned nothing from their previous support of Gorbachov.

Assault on the intelligentsia

I would like to focus with special emphasis on one of the groups in Russian society which has been hardest hit by these measures, which I think is absolutely critical for the future, and that is the intelligentsia. You often hear analyses of Russian society, saying that it is an imperial two-class system with a tiny elite and a large mass. There is something to that; but there is, indeed, a middle class in Russia, between the old communist *nomenklatura* on the one hand, and the masses of workers and peasants on the other. Recent Soviet and Russian history emphatically displays a middle class, or intelligentsia, based especially in state-sponsored professional, educa-

tional, science, and research activity.

The stratum of the intelligentsia is absolutely decisive. These are cultured people, in most cases superior to their counterparts in the United States, certainly. They are interested in science and technology, and they have tended, up to now, to be pro-western. Anti-communist dissidents of the type of Andrei Sakharov typify this layer.

The policy of the United States and the other western nations ought clearly to be to cultivate the friendship of the intelligentsia, for many reasons—if only because they are opinion-shaping leaders, who can potentially incline Russian government and society in a pro-western direction. At the same time, the future technological and economic viability depends directly on the contributions of the scientific intelligentsia, among whom are some of the most advanced scientists to be found anywhere in the world. One of the big problems with the economic policies associated with Yegor Gaidar, Jeffrey Sachs, and the International Monetary Fund, is that these policies have virtually wiped out the intelligentsia.

It now appears that forces around Gaidar and Yeltsin are preparing to dismantle the Russian Academy of Sciences itself. Let me take a minute to explain why this is so dangerous for Russia and for the peace of the world.

The Russian Academy of Sciences is, of course, the current successor of the U.S.S.R. Academy of Sciences, an

tial Russian fascist, Fyodor Dostoevsky. Today the revival of this doctrine is defended by the Soviet KGB's publication, *Literaturnaya Gazeta*. Today, mad Philotheos' dogma saturates a powerful, overtly Dostoevskian faction within the leadership of the Soviet military. Today, it is not only the ruling ideology of the Soviet rulership; it is the key to every feature of Soviet practice in foreign policy . . . and in its deployment of the military . . . principally to the purpose of early degradation of the United States to the status of a virtual Soviet imperial satrapy."

Sept. 30, 1984: Presidential candidate LaRouche on nationwide TV says that "Russia's real face is its Third Rome doctrine. Most Americans assume Russia is 'communist,' but it is communism welded onto Russian mystical imperialism."

June 1985: *EIR* publishes a Special Report, "Global Showdown: The Russian Imperial War Plan for 1988," with a preface by LaRouche. It identifies the Soviet war mobilization as the basis of Gorbachov's perestroika, and explains the driving ideology of the Soviet leadership as the "Third Rome" myth. LaRouche pinpoints 1988 as the limit this Gorbachov war mobilization could be sustained until world war, or the collapse of the Soviet empire, ensues.

institution which traces its lineage back to that great Russian National Academy which Peter the Great created around 1700, with the help of the great German philosopher and economist Leibniz. The apparatus of the Russian Academy comprises about 800 full members, perhaps—Sakharov was one of these; Arbatov is one today, along with Velikhov, to name some academicians that people have heard of. There are about 1,000 corresponding members and several thousand institute directors and other important officials. When you put the roster of the Russian Academy of Sciences together, it adds up to approximately 200,000 scientists, researchers, scholars, professors, and so forth—some of them located in Moscow, some of them in regional centers like the Siberian Academy in Novosibirsk, various science cities, and so forth.

According to well-informed sources, the Yeltsin group has hatched a plan to abolish and break up the Russian Academy, through the expedient of inducing the full members and corresponding members to vote their own organization out of existence. The bait being offered to the academicians is a pension windfall of perhaps 1 million rubles a month—momentarily serious money, but maybe in a few months, not. It appears that the motivation of the Yeltsin group includes the desire to profit from the process of privatizing or junking the Russian Academy, plus the urge to wipe out a center of democratic resistance to authoritarianism.

One of the signs of this is something you can already find

in the *New York Times*, and if it's in the *New York Times*, you know that it has got to be a very gross phenomenon indeed: A couple of Sundays ago, they did an article from Akademgorodok, the academic city outside Novosibirsk, and one of the facts they point to is an estimate coming from the OECD that the budget of the Russian Academy has been cut by 60%—almost two-thirds—in real terms, between 1990 and 1992.

Let's take the plan to destroy the Russian Academy of Sciences. I would submit that if this plan were to be carried out, the chances of nuclear war, including nuclear war involving the United States, will increase markedly in the years ahead. Without the scientific and engineering capabilities of the Russian Academy and its subsections, Russia will utterly lack the wherewithal to maintain itself as a modern, productive economy. Should the Russian Academy actually disappear, the Russian economy will enter an irreversible thermodynamic implosion that will guarantee emergency dictatorship and the attempt to compensate politically and economically for the collapse, through outward aggression, conquest, and rapine.

There might be some, here in the United States especially, or in Britain, who might tend to gloat over the destruction of Russian science and engineering. If Russian science is destroyed, they might argue, there is no Russian threat to the West. I would say that is short-sighted *in the extreme*. It is clear that most Red Army infantry and tank formations are today of only limited effectiveness, but many sources confirm that the strategic rocket troops and the ballistic missile submarines, especially those big ones of the Typhoon class, have maintained the highest levels of combat readiness and are prepared to strike virtually without warning.

We would therefore conclude that it is extremely unwise to support a plan to destroy Russia's scientific and engineering potential. The United States and other western nations ought rather to be exploring the forms of international cooperation which could make possible the preservation and development of an asset that is of vital importance for all mankind.

To sum up this analysis: Russia is indeed lost, momentarily. The phase of pro-western curiosity that was observable at the end of the 1980s and the beginning of the 1990s, has now been supplanted by a climate of rage and despair. A great deal of this rage is directed against the United States, because of the obvious role of the United States in supporting the IMF, because of the role of people like George Soros, and above all because of the contribution of Bush and Thatcher to the present situation. When this debate gets under way, just like in 1949 and 1950, the congressional committees were investigating "Who Lost China?"—I'm afraid we're going to have to have repeats of those in the coming months—the answer is going to be: George Bush, Margaret Thatcher, and their policies are responsible for this looming catastrophe in regard to Russia. Perhaps I shouldn't say

George Bush, but Sir George Bush, since he has now been knighted.

Growing anti-western resentment

The continuation of these policies can only increase the growing anti-western sentiment which is already pervasive in the Moscow elites, and this you feel very sharply. One leading intellectual complained to me that Russia is being subjected to all of the penalties previously applied to the losers of world wars during this century: a puppet regime, loss of territory, economic looting, general humiliation. In the view of many, Yeltsin has overdone his subservience to the dictates of the United States, for example in his handling of the privatization issue. Many feel that Siberia is now likely to be detached from Russia, and that it's going to come under de facto United States control.

According to one source, the Yeltsin group, in private, actually has a theory about this, saying that postwar history shows that it is good to be defeated by the United States: that Germany and Japan were both defeated, but then they got rich, so it makes good sense to go along with the policies that you find today.

Everywhere, talking to Russian intellectuals, you hear the ominous refrain, that it is time for a new "in-gathering" of the former Soviet lands. This is directed in particular toward Ukraine, but also toward many of the CIS or NIS [newly independent states] countries, which, it is alleged by many in Moscow, cannot be considered to be viable states.

To sum up this climate of anti-western resentment: One researcher recalled to me a quote from Lenin that he happened to remember: "Imperialism is carving and dividing Morocco." This man said: "That is what is happening to us today. Imperialism is carving and dividing Russia."

You will hear many people tell you that the Anglo-American oil cartel is attempting to dominate the governments of Central Asia, the Transcaucasian republics, and to foment separatism and secessionism among the autonomous areas of the Russian Federation. Many people will tell you that part of the Russian policy in the Near Abroad, in regard to Azerbaijan and Armenia, for example, is dictated in part by the perceived need of Russia to resist the encroachment of the western oil companies.

I would submit that this is a very ominous climate of opinion. What I'm afraid we have in Moscow is a kind of neo-imperialist thinking, set in the context of the unprecedented economic and social breakdown of a nuclear state. And I think this adds up to the greatest strategic threat that we have seen in our lifetimes.

Moscow, the Third Rome

This slogan that you hear again and again, the "in-gathering of the Russian lands," or the "in-gathering of the Soviet lands," is associated with the campaign of Ivan the Terrible, back in the 1500s, to create a Russian Empire.

Other people will tell you about a theory of "pulsating borders," according to which the Russian domain has collapsed, but then reasserted itself six or more times in history. According to this theory, we would now be between a collapse phase and a new expansion. This type of thinking is very widespread, and it is associated with the tradition of Moscow, the Third Rome.

Moscow, the Third Rome, is a slogan or label which sums up the Byzantine imperial tradition of Russia. This tradition goes back to the days of Vasili the Blind. After Vasili the Blind, the Grand Prince of Moscow refused to accept the union of the Roman Catholic and Orthodox churches which had been proclaimed at the Council of Florence in July 1439. Of course, shortly thereafter, there came the fall of Constantinople to the Ottoman Empire, in 1453. In those days, the Venetian Senate encouraged the princes of Moscow to assert a claim that Moscow was the successor to the fallen Byzantine Empire. Part of the basis of this claim, was the idea that the Greek Orthodox Church in Constantinople had surrendered to the Latins, to the pope, and so forth, but that Moscow had stood firm for Orthodoxy.

This is a kind of messianic, religious, and political claim which was articulated by the monk Philotheus of Pskov, who wrote a letter to Grand Prince Vasili III, or Basil III, shortly after 1510, and here is a short quote from what he wrote: "Listen and attend, pious czar, that all Christian empires are gathered in your single one"—that's the in-gathering—"that two Romes have fallen, and the third one stands, and a fourth one there shall not be. Your empire will not fall to others, according to the great evangelist."

The Third Rome outlook is deeply rooted in Russian history and society. It exists in one form in the ruling *nomenklatura*, or state bureaucracies, and is expressed in another form by the spontaneous prejudices of, let's say, the Russian rural population.

Under conditions of crisis and breakdown, unless an alternative course of economic and scientific progress is put forward, the key institutions of Russia will tend to gravitate toward a Third Rome outlook. This is exactly what is happening today.

The tradition of the Third Rome has come to include a very aggressive and intolerant notion of nationalism. It includes a strong anti-western and xenophobic feeling, and, of course, subsumes the apparatus of military dictatorship, or a dictatorship with strong military components.

Back in the early 1980s, it was Lyndon LaRouche who pointed out that the old Bolshevik, Marxist, communist regime in the Soviet Union was already evolving very rapidly toward some new form of Third Rome state. Without going into great detail, it is clear that this kind of imperial spirit animates recent statements by such figures as Foreign Minister Andrei Kozyrev, foreign intelligence chief Yevgeni Primakov, and others. There is, similarly, a large Third Rome component in the new Russian military doctrine.

A program that offers hope

What can be done?

Right now, the main institution that can keep Russia together and avoid chaos, is clearly the military forces. The Russian Army is the most essential pillar of power left in the country. The problem is, that military rule by itself only leads further into a breakdown crisis. In order to overcome the crisis, the military component must be supplemented by the scientific and technological contributions of the intelligentsia, and once again we see that the intelligentsia, as a Russian national institution, is one of the keys to this entire problem.

We were often asked, "What's your alternative to Jeffrey Sachs, the IMF, and shock therapy?" Let me give you a

number of points that I think *Executive Intelligence Review* would recommend as an alternative Russian economic policy, that would work as an anti-crisis measure.

Everything I say now needs to be taken in the context of the LaRouche program for the European Productive Triangle, which was offered in late 1989 and early 1990, which has been, as I'll try to show you, widely discussed in Moscow. What should Russia actually be doing? If you were a Russian patriot today, campaigning in the elections, what might the recovery program look like?

First, Russia must terminate the insanity of International Monetary Fund conditionalities. Indeed, Russia would be well advised to have *nothing further to do with this institution*. It goes without saying, that such aspects of the IMF policy as shock therapy, as well as advisers such as Jeffrey

Witte's grand design for Russian development

Sergei Witte (1849-1915) entered government service in 1870, where he learned about railways "from the ground up." It was Witte as director of railways in 1889 who ensured that the Trans-Siberia Railway project got under way. Witte conceived of the project as one link in a continental network of rails that would unite the Eurasian continent from Paris to Berlin to Moscow to Vladivostok, encompassing China and Japan as well.

Witte's grand design would have linked the industrialized western European countries to the lesser industrialized and underdeveloped areas of Russia and China, and could have become the basis of Eurasian economic growth and stability.

In an 1897 discussion of tariff policy, Witte spelled out his vision to Kaiser Wilhelm: "Imagine, Your Majesty, the European countries united in one entity, one that does not waste vast sums of money, resources, blood, and labor on rivalry among themselves, no longer compelled to maintain armies for wars among themselves, no longer forming an armed camp, as is the case now, with each fearing its neighbor. If that were done, Europe would be much richer, much stronger, more civilized, not going downhill under the weight of mutual hatred, rivalry, and war. . . . But, if the European countries continue on their present course, they will be risking great misfortune."

Witte worked to expand Russian industry. "During my tenure as finance minister," he wrote in his *Memoirs*, "industry grew so rapidly that it could be said that a Russian national industrial system had been established. This

was made possible by the system of protectionism and by attracting foreign capital."

"Generally speaking," Witte added, "the importance of industry is not appreciated or understood. Only a few men, like Mendeleyev—that great scientist and scholar and my devoted associate and friend—understood its importance. . . ."

Witte as finance minister advised Czar Nicholas II against undertaking the Russo-Japanese War of 1904-05. Witte knew that the war was both financially and politically unwise. He was unfortunately proven right. As a result of the war, discontent increased in the major cities, and Russia's treasury was almost bankrupt. Witte however was able to bail out the czarist regime by negotiating a loan from the Rothschilds. It was Witte, too, who was called on by Nicholas to negotiate the terms of the peace after Russia lost the Russo-Japanese war.

When the Russian Revolution of 1905 broke out, Witte helped to author a constitution which was reluctantly approved by Nicholas II. But as Rasputin and the hardline imperialist circles came to influence Nicholas more and more, the czar soon reneged on the Constitution, thus making Witte's position as head of the State Council untenable. Witte left government service and went into exile in Switzerland.

For Witte's autobiography, see *The Memoirs of Count Witte*, translated and edited by Sidney Harcave (Armonk, N. Y.: M.E. Sharpe, Inc., 1990). Harcave's is the first complete translation of Witte's *Memoirs* in English. See also *EIR*, Jan. 3, 1992, "The Fight to Bring the American System to 19th-Century Russia," "Dmitri I. Mendeleyev: Scientist-Statesman Fought British 'Free Trade' in Russia," "Sergei Witte: The Fight for Russian Industry," and "Witte: Tariff Helped Build Our Industry."

—Denise Henderson

Sachs and George Soros, must simply be thrown out the window.

To replace the IMF line, Russia would require a dirigistic and protectionist approach to economics, as nation-building. Here, the necessary institution is a *national bank*. Notice I say national bank, and *not* a central bank on the Federal Reserve model. Russia would need a national bank of the type created by Alexander Hamilton, as the First Bank of the United States, or Henry Clay's Second Bank of the United States. For people who've never heard of these two institutions, you can go to Philadelphia today and find both of them still standing, not far from Independence Hall.

The purpose of a national bank is to issue credit for production in agriculture and industry. For those borrowers who can meet the requirements, long-term, low-interest loans are offered in order to stimulate activities which we know contribute to real national wealth.

Privatization must be subordinated to the need to maintain and expand the necessary levels of production in a world economic depression and Russian national emergency.

Priority development projects

State planning of the Stalinist variety, the old Gosplan, that planned everything down to the last nut and bolt, was of course an absurd and unworkable system. But indicative planning, that is to say, the creation of a list of great national priorities—that is indispensable. That was de Gaulle's approach in France in the late '50s and early '60s. It is the best of the tradition of the Japanese Ministry of International Trade and Industry (MITI). If you're interested in Taiwan, the reason that Taiwan has survived, is that President Chiang Ching-kuo set up a list of national projects in the late '70s and early '80s. We could go down the line with other successful examples.

Russia would need a priority list of great national undertakings, such as, we would suggest, the building of a new Trans-Siberian Railway, using the most modern magnetic levitation technologies. This would permit the colossal energy of the Russian people to be expressed in great projects that would be of benefit for Russia, as well as for the rest of humanity. National planning must also identify targets of food production, housing, clothing, and other needs, and it must set forth methods to meet these needs in the context of obtaining full employment as soon as possible.

Russia right now suffers, as we do here in the United States, from an immense deficit in modern infrastructure. The rail and highway systems of Russia are totally obsolete after decades of Cold War depletion.

Even more alarming is the status of the electricity grid, and I think this is now the big issue, as we go into the winter. The Russian electricity grid appears to me to be in a process of collapse, which is spreading out of Russia, out of Ukraine and into Hungary, and perhaps into the rest of eastern Europe. What you therefore need would be state-sponsored credit,

first and foremost to finance the building of modern magnetic levitation railways, superhighways, canals, water systems, telecommunications, and electro-nuclear energy grids. In the area of soft infrastructure, it is clear that large numbers of schools and hospitals need to be built.

For most of these projects, the main borrower would be a government agency at the local or regional level. But many of the subcontractors who actually carry out the work will be private firms. A large-scale infrastructure program is the absolutely necessary ingredient to reverse economic decline, to create demand for steel, concrete, and other basic commodities, and to create millions of new, productive jobs. And in order to improve the supply situation, one aspect of infrastructure that needs great emphasis, is food distribution and delivery, so as to prevent so much food from being lost to spoilage.

Now a special problem for Russia, and indeed for all countries emerging from communism, is the absence of a fabric of small and medium industrial and technological firms. Note the emphasis on *productive*. We are talking about the creation of tangible, physical products; not *services*—financial services, gambling, public relations, advertising, drug money laundering, or any of this. We are talking about what the Germans call *mittelständische Betriebe*. The classical high-technology small firm is one where the president of the company is himself or herself a scientist or inventor, and where the operation has the flexibility which a mastodontic corporate bureaucracy can never have. Such firms are the places where new scientific discoveries are originated, and turned into machine tools that can find their places in the assembly lines of larger factories.

So the national bank would therefore have to open a special low-interest, long-term credit facility, specifically for the needs of new small and medium productive ventures.

The tax code and currency reform

Now, you have the problem of mafia criminality. A tax code for Russia would have to reflect a bias in favor of production, against all kinds of parasitical and speculative activities. Income deriving from financial speculation or other forms of gambling ought to be taxed at a higher rate than income deriving from commodity production. In a similar way, tax credits ought to be instituted so that money which is productively invested in new technology, plant, and equipment, can reduce the total tax paid. Tax credits can also be used to foster savings.

Because of the vast expansion of organized crime, a currency reform is probably unavoidable. A good model is de Gaulle's introduction of the French "heavy franc" during the late 1950s, in cooperation with Jacques Rueff. In the course of the currency reform, of course, what happens is that all persons are required to account for currency in their possession, in excess of their recent tax returns. So what happens, in practice, is that organized crime cash reserves are either

confiscated or wiped out.

These last two points, on the tax code and the currency reform, are discussed in one of LaRouche's essays, from 1980, entitled "A Gaullist Solution to the Italian Monetary Crisis." What you get out of this, is that a "heavy ruble" may turn out to be one of the most effective and humane ways of putting gangsters out of business. It is far more humane than other means that one can imagine, by which speculators and parasites have been dealt with in Russian history.

Economic self-defense

Now, Russian agriculture. Russian farms cannot keep producing for long if the prices paid to farmers are inferior to their cost of production. So the government must therefore establish parity prices for the main farm commodities. Parity prices would reflect the relevant costs of production, plus a reasonable profit margin, that must be sufficient to permit new investments and technological modernization. A good model here would be U. S. agricultural policy during World War II, when high levels of food production were obviously desirable for defense purposes, and these were obtained by paying farmers 100% of parity, or even 110% of parity in certain cases.

To defend parity prices, and to protect Russian farmers and manufacturers against economic warfare, dumping, and so forth, from abroad, a full array of protective tariffs would be required. Protective tariffs would have to be put in place to defend every productive sector where Russia seeks to produce, to cultivate.

Other important tools of self-defense would include capital controls and exchange controls. That would help to protect the ruble from speculative attacks of the type associated with George Soros and his friends at the New York Fed and the Bank of England. Economic self-defense is all the more important for Russia because of the looming panic crash of the derivatives securities markets in the western world.

Because of the domination of the international markets by Anglo-American financial cartels, Russia would need to secure her own needs in international trade through a series of bilateral contracts for the delivery of goods. These contracts should establish mutually acceptable prices—not necessarily the London or New York prices, but mutually acceptable prices. An example might include a Russo-Ukrainian contract to exchange Russian oil or energy for Ukrainian grain, without passing through the dollar or pound-based staple markets in London, New York, or Chicago.

It would be a tragic mistake to simply junk all the economic relationships that existed previously, because of the post-1989 political changes. Many people have suffered as a result of this. Today Germany, the Czech Republic, Hungary, Slovakia, Poland, and others might now be interested in restoring certain kinds of commodity flows on the basis of the bilateral contracts just described. These countries would get a chance to reduce unemployment and keep their factories

functioning. One priority area for Russia would be oil-drilling and pumping equipment, to reverse the fall in oil production. You can also think of the need to import transportation equipment from Hungary.

The LaRouche method

What I have just described would represent the essential elements of an economic recovery program for Russia, or indeed for any other nation. The method employed here is the classically Hamiltonian, American System economics, in the modern synthesis of Lyndon LaRouche. We subsume here, among other things, the lessons of the post-1939 U.S. recovery, that actually put an end to the Great Depression.

I would submit that this kind of economic recovery program would work, without question, and would be to the great benefit of Russia. It is a program that would be immediately understood by a person such as Count Sergei Witte, or economists in the Russian school like Podolinsky. I would certainly submit that economic development along these lines is a much better bet than the apocalyptic quest for a Third Rome.

I have noticed that Russian strategic planners give enormous attention to questions of territory and borders. I would invite them to consider the case of the Israeli government. If there was any government that was concerned about territory and borders, it was surely the Israeli one. But now, at last, with Rabin and Peres, a more enlightened and statesmanlike view has prevailed, and this view sees that cooperation for economic development and the political arrangements that are possible within that context, is far more important than simply the issues of land per se.

In conclusion, let me say a word about the role of Lyndon LaRouche, and his influence and his contributions in the Russian scene. The most reliable means of changing the dynamic toward renewed superpower confrontation, even at this late date, would be to recast Russian economic policy along the lines suggested by LaRouche in the European Productive Triangle program. Of course, western and U.S. economic inputs could be geared to assist that. LaRouche's textbook in economics [*So You Wish To Learn All About Economics?*], which you see here in Russian translation, is widely circulating in Moscow and the rest of Russia. There are very important circles in Moscow that are intensely aware of these ideas, and consider them to be eminently practical.

Perhaps the best barometer of the new interest in LaRouche's ideas in Moscow, is the fact that Lyndon LaRouche has just been named a corresponding member of the International Ecological Academy, which was one of the first independent scientific associations to be founded in Tallinn in 1989, during the breakup of the communist system. LaRouche's new and growing following in influential Moscow circles has prepared the ground for a policy shift away from the failed Bush and Thatcher approach. And I would submit in conclusion that such a change is urgent, to avoid greater strategic crisis further down the road.