IMF policy for Russia, Ukraine must be scrapped

by Lyndon H. LaRouche, Jr.

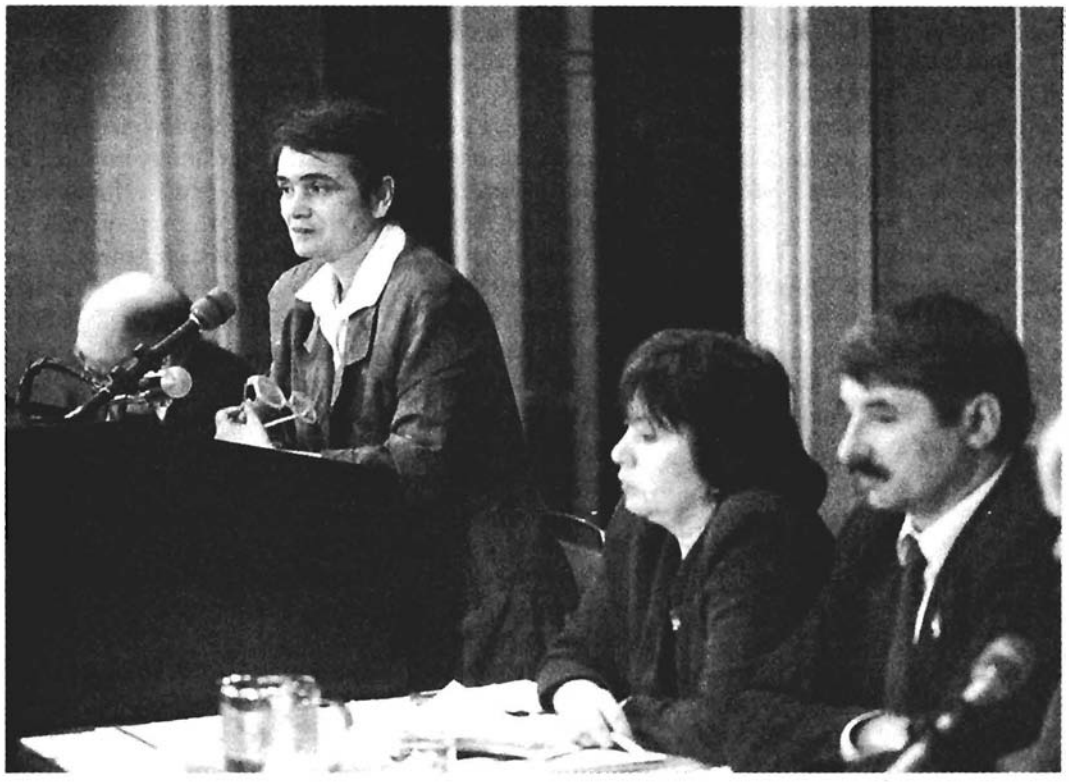
I shall speak for myself, and not, of course, for our guests. My function here is to situate the presentation which they will make in the circumstances of the United States and its policy today.

The policies of the United States toward the former Soviet Union, and, especially, toward the Russian Federation, Ukraine, and so forth, which were introduced under the direction, nominally, at least, of Margaret Thatcher of the British Commonwealth, or British Empire, as it's known in truth-in-lending policies, and her pet poodle, so described in her memoir, *The Downing Street Years,* George Bush; these policies, which, in my view, are clinically insane strategically, have been essentially continued by the United States government, and other governments, up to the present time.

These policies, and the lunacy of the current proposal to extend NATO eastward, an irrelevancy with dangerous implications, are things which must be changed. The setting for the change, is the fact that, as Lawrence Tisch, a well-known acquaintance of our Federal Reserve Chairman Greenspan, recently said, echoing many others around the world in the recent weeks, "We are now on the verge of a 25 to 30% crash in the New York financial markets fairly soon," which, if people have savings in those markets, they will lose most of them. And, we are facing two other crashes, which some people refer to as a systemic collapse of the financial system. Some leading voices have said that March or April could be the point at which this breaks out. For example, a crisis in Japan, spreading into Europe, then spreading around the world, can bring down the world's banking systems in a chain-reaction collapse, and that could happen this year, as early as spring or later.

Then, finally, we should know that we are facing a total vaporization of money and financial institutions, in the event that we wait long enough, until the derivatives bubble implodes in a chain reaction. That could also happen as early as this year.

In this context, the people who are defending present policies, or are trying to reinterpret them or adjust them, are practicing lunacy. They're playing with



The speakers at the Feb. 19 FDR-PAC policy forum, "Why IMF Policy for Eastern Europe and Russia Must Be Scrapped" (from left): Lyndon LaRouche, Dr. Tatyana Koryagina, Natalya Vitrenko, and Volodymyr Marchenko.

nitroglycerine on a hot summer's evening. The question is: how to change from the lunatic policies we presently have, to reach the safe ground of new, sane policies?

What I propose, is, there are three branches, independent branches, three legs, to a policy which will prevent this civilization, planet-wide, from plunging into a Dark Age akin to, in many respects, that of Europe's mid-Fourteenth Century.

The three legs are: first, the ability of the President of the United States to be induced to convoke an emergency meeting of a number of the planet's national powers, and other nations, in what might be called a New Bretton Woods Conference, in which the existing monetary, financial, trade, and tariff agreements of the world would be officially scrapped, peremptorily. And, at the same time, a new set of rules for monetary discipline, financial institutions, and tariff and trade, would be adopted, which would be premised largely on the successful phase of the 1946-1966 Bretton Woods agreements, with the addition, that since we have bankrupt central banking systems, we must replace them, as our Constitution provides, with national banking systems, as generators of productive credit, for both government investment, and for the private sector, as well as for international trade.

Additionally, we require, in the spirit of our beloved President, Franklin Delano Roosevelt, as expressed, for example, in spirit in his first inaugural address in March 1933, initiatives by the United States government in collaboration with other governments, to create a recovery program. We can not leave the world in disaster, and wait for the Invisible Hand to steal all our wealth.

We must take initiative. The initiative now exists. It exists in the form of proposals for a continental Eurasian network of transportation-centered development corridors, linking the Atlantic Coast with the Pacific and with the Indian Ocean, a plan which was originally made in the United States in the late 1860s by the leading economist Henry C. Carey, who made this proposal for continental Eurasia, on the basis of the lessons which the United States had demonstrated in the continental railway system—the development of development corridors across the continent of the United States, from the Atlantic to the Pacific, using rails as a spine for opening up these territories generally for development.

Carey proposed that; that policy was continued, in Europe, through the friends of the United States and Europe, such as in Germany, typified by people such as Emil

In this section

The speeches in our *Feature* were delivered at an FDR-PAC policy forum, entitled "Why IMF Policy toward Eastern Europe and Russia Must Be Scrapped," in Washington, D.C., on Feb. 19. Translation, titles of the speeches, and the subheads have been supplied by *EIR*.

Rathenau, Georg Siemens, and so forth. This became the policy of Dmitri Mendeleyev, the great Russian scientist, railroad builder, and industrial builder. It was the policy of Count Sergei Witte. It was the basis for the various kinds of proposals which the British went to World War I to prevent.

The policies again were potentially revived in a later period, and now have been revived again, with a very strong commitment by China.

This means to me, that the strategic interest of the United States lies in close cooperation with those nation-states in Eurasia which, currently or imminently, are prepared to enter into comprehensive agreements for economic cooperation and development, premised upon the Land-Bridge policy, which we've covered and described in some detail in a report on this subject.

That does not mean to leave out Africa, by no means, as the Land-Bridge report indicates. It defines what the development projects are that we have worked on for the development of Africa.

The Machine-Tool Principle

But, the third issue, which is of special relevance here today, is, what people have forgotten, that during this century in particular, the Twentieth Century, *there has been no significant development in any agro-industrial economy of the advanced sector, except through the influence on the economy as a whole, of the military-pivotted strategic machine-tool sector.*

It is for this reason, that never in the Twentieth Century has the United States enjoyed prosperity, except in an arms race. Not because the production of weapons produces wealth; they don't. But, because the production of the machine-tool sector necessary for technological parity and superiority in weapons design, results in a transformation of the strategic machine-tool sector as a whole, and that serves as a driver, the technology driver, of the entire economy.

This is demonstrated most dramatically, in the case of the former Soviet Union, in which, in the former Soviet Union, the one sector which was eminently successful, because it was driven to technological parity, for strategic purposes, with the allied forces of NATO, was the Soviet military-industrial sector.

There are some elements of a machine-tool sector, strategic machine-tool sector, in China. There is less development, but potential, in India, which is one of the nations which recently indicated its desire to cooperate with China in developing the Land-Bridge program.

There are significant strategic machine-tool capabilities in Japan. They're now on the way down, under a lunatic policy which the United States imposed upon Japan in the middle of the 1980s. They exist to a minor degree, a much lesser degree, in Korea. Though there is significant machine-tool capacity, there is a certain error in the South Korean economy, so it doesn't match—it doesn't match Japan. There's a significant machine-tool sector in Taiwan.

The rest of the world generally lacks a machine-tool sector.

Thus, if we think upon a general economic recovery, it means that we must use the machine-tool sector in combination with infrastructure development, as the driver for a physical-economic recovery on this planet. We have virtually no significant structure of such a strategic machine-tool sector left in the United States. We produce machine tools, but they depend upon Japan and Germany for their quality. We have destroyed the economic and military strength of the United States by taking down the strategic sector.

In Russia and Ukraine, it's the same. We have a vast army of semi-employed and unemployed, or immigrant Russians, Ukrainians, and others, who formerly were engaged in the military machine-tool sector, which was like our strategic machine-tool sector, which had features which were analogous to those of the German *Mittelstand* strategic machine-tool sector, and organized under the German Chamber for Industry and Commerce.

So, therefore, if we are going to engage the vast population sectors of the world, China, South Asia, and so forth, and engage them in successful growth, we must supply them with the driving force of a machine-tool sector which they have not presently developed. In this perspective, the now-moribund former capabilities of the Soviet Union in the strategic machine-tool sector, are desperately wanted to be remobilized, to rebuild the economy of the countries of the former Soviet Union, and, also, to participate as a partner in the development especially of continental Eurasia, in the Eurasia Land-Bridge development.

The fundamental strategic interest of the U.S.

Now, this policy, in my view, is the fundamental strategic interest of the United States. If we mean by strategic interest, the security of the United States and its people, we *need* this. If we need to have a world which is safe for the United States and its people, we can not ignore the conditions of life, and political consequences of those conditions of life, in the area of the world which has the greatest concentration of the world's population, which is Eurasia.

Nor can we ignore the great moral blot on our conscience, of the policies of genocide which the British Empire, a.k.a. Commonwealth, is perpetrating on the population of sub-Sahara Africa, with the consent or considerable toleration from the United States, partly because people like George Bush and his friends have large investments in the Lake Victoria and Rift area of Africa. And, therefore, we go along with the British, to protect our investors in Africa, who are in there to reap the harvest, economic harvest, of genocide against the inhabitants of Central Africa.

But, generally, the strategic interest of the United States, is, as President Abraham Lincoln would agree with me, I am sure, if he were standing here, is to engage in cooperation to

rebuild a shattered planet with those nations of Eurasia which are prepared to do so. Throughout Eurasia, the Foreign Ministry of Russia, as represented by the activities of Yevgeni Primakov, has expressed solidarity with that perspective of cooperation. Germany and France, in a recent pact, implicit pact, launched, as an anti-British move by the French over the African policy, has expressed its interest in cooperation with China, Iran, and so forth, in this direction. Our fundamental interest is to scrap this illusion of NATO security, and to develop the basis for a new conception of security for the United States, which is based on the security of our nation, its economy, our people, and the world in which we live.

While the speakers, today, will not address all of these things which I have stated, I've described the situation which I view what's happening here. These are distinguished representatives of their own countries, in terms of their authority, as parliamentarians, and as professionals. And, I think they have afforded an American audience, both those here and those who will see the television reproduction of these events, a firsthand insight, in the words of persons who can speak with authority, of what the impacts of this insane policy which we contine to impose on that part of the world, are. And, to realize that *we must realize, that to continue the IMF policies, toward these countries and other countries, is an act of virtually suicidal, as well as criminal, lunacy.* That policy must cease; there is no excuse for it, there's no excuse for bowing to voices which insist on the litany, the mantra, the chant, "reform and democracy," "reform and democracy," when the consequence of that policy, the content of that policy, despite its mislabelling, is Hell itself.

I would call attention to one other thing, just before I close, which is reflected in part in the current issue of *EIR,* and which has been otherwise in earlier editions of *EIR* recently.

During the closing weeks of 1996, relevant Russian institutions issued two documents. One, is a presentation under the direction of Academician Osipov, of a seminar in which I was featured, and in which one of our speakers participated, in fact, this past spring. And that was published, and it's very important to get that as a part of the environment of thinking which is going on in some circles in Russia [*EIR,* May 31, 1996].

The second one, which complements the first, is a report which was issued at the end of 1996, by Dmitri Lvov, the deputy director of the leading econometric institute of Russia, the Central Institute for Mathematical Economics. And, this [with other] representatives, has produced this report, which everybody who is concerned about that part of the world, should study [*EIR,* Feb. 21, 1997]. It combines a completely alternative approach, and I think that the two speakers today, will give you additional insight complementing what's seminal in that report, and defining and supplementing, that which is valuable. It's valuable to every American policy-shaper and influencer, to read this and know this. That we join together to bring to an end quickly that lunacy which has seized, in terms of our continuing policy, the legacy of Thatcher and Bush, the policy which, if continued, might mean the doom not only of Ukraine and Russia, but our own nation.