

Russian: Crash Certain; LaRouche Has Solution

by Rachel Douglas

Speaking to the Strana.ru web news service on May 18, former Russian Central Bank chief (1992-94 and 1998-2002) Victor Gerashchenko called for “a revival of the Bretton Woods system, with fixed exchange rates and a tie to gold,” as “not ideal, but an entirely acceptable option” for changing the international monetary system, in the face of the onrushing crash of today’s speculative financial system. He invoked the writings of Lyndon LaRouche as authoritative, regarding “the inevitable crash of the speculative global economy,” and—as paraphrased by Strana.ru—said that globalization will have to be sacrificed, in order to save the world economy.

Gerashchenko spoke with Strana.ru on the sidelines of a conference titled “The Role of the Financial System in Economic Development,” which was held May 18 at the Russian State Economics and Trade University (RGTEU). Strana.ru correspondent Nikolai Chekhovsky covers the event under the headline, “Is the System of Global Speculation on the Eve of a Crash?”

80% ‘Virtual’ Transactions Now

The conference was dedicated to the late Valentin Pavlov, the last Prime Minister of the Soviet Union, who died last year at the age of 66. May 18 was Pavlov’s birthday. In January 1991, Pavlov incurred the wrath of criminal cash flow manipulators, when he declared an immediate banknote reform, setting a three-day deadline for the exchange of all 50- and 100-ruble bills in the Soviet Union. Convicted of participating in the so-called “coup plot” against Soviet President Mikhail Gorbachov in August 1991 (by the committee called the GKChP, whose action failed, but precipitated the break-up of the U.S.S.R.), Pavlov was amnestied in 1994 and went on to work in banking. He was a vice-president of Russia’s Free Economic Society, where in April 1996 Academicians Gennadi Osipov and Leonid Abalkin chaired a round table with Lyndon LaRouche, called “Russia, the United States, and the Global Financial Crisis.” Pavlov’s personal endorsement, on that occasion, of LaRouche’s analysis of the relationship between financial speculation and the real economy, and of LaRouche’s proposed solutions, are included in the transcript of that 1996 event (see *EIR*, May 31, 1996).

According to Strana.ru, at the May 18 conference Prof.

Victor Iokhin of the RGTEU presented a paper on the unsustainability of a world economic system in which “80% of all money transactions in the world financial system are ‘virtual’—associated with playing the currency markets and with other types of speculation—and only 20% of the transactions are associated with the movement of real goods, services and real capital investment.” Iokhin went on to polemicize about Russia’s position in such a system being that of an increasingly deindustrialized, depopulated source of loot for “speculative capital.” Under these circumstances, Iokhin said, it would be absurd to move to convertibility of the ruble.

The concluding paragraph of Chekhovsky’s report is headlined “Back to the Bretton Woods System.” Here, he presents Gerashchenko’s remarks, as follows: “The conclusions about the crash of the world financial system, voiced at this round table, might seem too categorical or one-sided. Victor Gerashchenko, however, confirmed to Strana.ru that finances do play the dominant role in the world economy today, and that an economic model of this sort is neither stable, nor viable. Finances are important, of course, and their role is enormous, but financial movements should be subordinated to production. The Western economist LaRouche has written about the inevitable crash of the speculative global economy; and even the well-known speculator George Soros, during the past two years, maintains that the world financial system needs to be changed. How? In Victor Gerashchenko’s opinion, a revival of the Bretton Woods system, with fixed exchange rates and a renewal of the link to gold, might not be ideal, but it would be an acceptable option. Strange as it might seem, this viewpoint is supported in the West by quite serious politicians and economists. But this is only one step, although it’s a necessary one in constructing a system of obstacles to speculative capital flows, in order to save the world economy. True, the price of this salvation is that globalization will have to be sacrificed.”

Knows LaRouche Strategy Well

It will be recalled that in October 2002, Gerashchenko appeared on a podium next to LaRouche’s associate Jonathan Tennenbaum, at a Russian government Finance Academy conference on the global financial system. On that occasion, Tennenbaum reported on a just-passed Italian Parliamentary resolution, adopted in connection with events in Argentina, calling for a new financial architecture. Gerashchenko welcomed Tennenbaum’s report and said he hoped the Russian State Duma would follow the Italian initiative.

Gerashchenko was elected to the Duma on the Rodina slate in December 2003. Most recently, at the end of April 2004, he accepted nomination as Chairman of the Board of Yukos Oil company, which is in turmoil after the jailing of its ex-CEO Mikhail Khodorkovsky. Gerashchenko’s nickname in Russian politics is “Hercules,” because he so often has had to clean the Augean Stables of the mess left by neo-liberal economic policies.