

In this issue we have begun publishing chapters from the book “Universal Laws, the Crisis of Democracy, and the Trotsky Alternative in the 21st Century” written by Michael Dichenko.

We hope that you will enjoy reading this original publication. Although the ideas presented may be discussed and/or disputed, we are glad to present these strong and unique views, thoughts and analyses of prior events from current and past centuries. –Editor

Michael Dichenko

Universal Laws, the Crisis of Democracy, and the Trotsky Alternative in the 21st Century

Preface

Dear reader! This book is similar to a three-layered Russian nesting doll (“matrioshka”). The first layer is a summary of the book’s three main themes. At first these themes may seem unconnected, but in the second and third layers each theme is further expounded upon, argued and analyzed more fully, explained in more depth, and backed up with factual information.

There are nine chapters in all: each of the book’s three parts consists of three chapters, which correspond to the book’s main themes, as denoted in the chapters’ titles. After reading Part Two, the connections between the main themes already become clear.

The smaller inside dolls in a nesting doll have to be taken out of the big one, set side by side, and studied separately. The three parts of the book can likewise be read separately, as well as together: Part One contains all the general theses. Part Three — the largest part — can also be read by itself. The main ideas are contained in Part One, and how I came to these conclusions is made clear in Part Two. An in-depth argumentation and critique of alternative ideas is presented in Part Three.

Nonfiction literature ought to bring intellectual stimulation and pleasure. If this book becomes boring to you, then don't waste your time forcing yourself to read it. The closer to the end, the fewer sensations there are, and the more facts and figures. If this is boring to you, I recommend that you skip right to the Conclusion. While Part One is in something of an entertaining genre, Part Three is all-scientific.

Though many secret inner workings of our lives are revealed in this book, it contains no mysticism. Though questions of religion and religious worldview have an important place in it, it represents no divine concept. Though the ideas put forth in it may help us make intelligent prognoses for the future, it contains no clairvoyant predictions. The book sings no praises to the arising information-based society, but it does propose clear and concrete rules for orienting ourselves in the ocean of information.

The first chapters of the three parts of the book focus on the micro level of the individual, his family, and social environment. The second chapters of each part take a broader look at society in general: country, ethnicity, the human race. The third chapters combine the micro and macro levels, to show the unity and interdependence between social processes and the will of the concrete individual.

Part One poses questions about the past and present, which are answered in Part Two. Based on these answers, the deeper analysis in Part Three culminates in some prognoses for the future.

What is in store for us in the coming decades? This question is answered in detail in Part Three, and in the Conclusion.

This book is not about any particular country or ethnic group. It explores universal human laws, characteristic of all nations, in all epochs. Most of the facts in the book, however, are taken from the history of the peoples that make up what we understand as European Civilization. The USA, Russia, Great Britain, Germany, and France: these are the most populated countries that exist in this paradigm. I've named them in order of how often their histories are alluded to in this book.

It requires no special education, though neither can we claim that it is a dime novel, or a paperback romance. This book will only bring pleasure to the intellectual.

PART ONE

Chapter 1.1. Universal Laws

It is better to know a few wise rules that will always serve you, than to learn many things that are of no use to you.

Lucius Annaeus Seneca, a Roman Stoic philosopher

At the present moment, we know of 118 chemical elements that make up the entire Universe, including Man himself. All of these chemical elements represent nothing more than some combination of two elementary particles: three pairs of quarks, and three pairs of leptons. The duality of our world starts from the most basic structure of matter, and is present in every

aspect of our lives — both physical, and spiritual. The human genome itself is comprised of interdependent chromosome pairs. The contemporary information-based society was impossible without computers and software — cybernetics — which are themselves based on the binary code: 1-0.

Life and death, good and evil, light and dark, Yin and Yang, the electron and the proton: the interaction of these entities is based on all the same rules. Why does love behave just like the Universe? A huge explosion and a spark of love — the fast-paced expansion of the Universe and the development of a romantic relationship — these two phenomena take place along the same trajectory. Only two main types of interaction exist between six quarks and six leptons: electric strong-weak, and gravitational.

If you measure all the books that are in your room right now, you will discover that the majority of the size of those books is around a certain average value: there are very few overly large ones, or overly small ones. This law expresses itself in almost everything: from the font size the book is printed in, to the desk at which you are possibly reading, to the chair in which you're sitting, your fingers, in which you're holding this book, all the way to the changing values at the Stock Exchange, the weather, and the amount of phone calls received from your significant other.

This law, sometimes called Gauss's Law, governs the movement of the human herd, as well as that of the air molecules in the room, distribution of prices by different vendors for the same goods, and distribution of varying psychological characteristics among people into polar categories (kind — unkind; lazy — hardworking; brave — cowardly, etc.).

People represent one of the protein-oriented species, that are possible only in a star system with a medium-sized star (the category to which our Sun belongs). Our eye transforms the entire visual picture before us into nerve impulses to be passed on to the brain. For this purpose, the eye has only three kinds of receptors, two of which perceive exclusively the middle range of the light spectrum. It is easiest for us to localize the source of sounds that are in the mid-frequency range of the whole auditory spectrum.

If you try to fold a closed book in half, then at first it will be easiest to make a simple arch out of the straight book. Then, with each additional centimeter, an exponentially increasing amount of strength will be needed to bend the book further. The Law of Universal Attraction — the main psychophysical law — the Law of Energy Expenditure on Phase Shifts (boiling, melting, freezing, etc.), and many many other laws that make themselves known in all aspects of life, are all forms of the Law of Gradation.

When the book finally breaks, this represents a Phase Shift. Different thinkers have come up with different names for this phenomenon: revolution; change from quantity into quality, quantum leap, and so on. As you read these words, your eye reacts to the changes in light, according to the same laws that govern the boiling of water in the kettle, and the acceleration of a car when the gas pedal is pressed. Earthquakes and traffic jams are subject to the Law of Gradation, just as are the Internet, voting in elections, gravitation, and sexual attraction. Even death itself is subject to it: the Gompertz Distribution calculates the chances of mortality for humans and many other polycarpous beings, depending on the organism's age.

We are all able to live because of the oxygen in our air, which is produced by the plants on our planet. The intensity of photosynthesis depends on the Sun, according to this law. Whoever has tried to lose weight, or on the contrary to gain strength and build muscle, has experienced the Law of Gradation working on him: there is an enormous amount of progress made in the first week; on the second week there is less, however, and on the third week, even less than that.

Sound and sight — these are the two main channels through which a human perceives information about the surrounding world. The piano — the queen of music — contains seven full octaves. In a rainbow, our eyes can see seven main colors. Can this be considered a pure coincidence?

Understanding the main mechanisms of universal laws allows us to understand the stages of social processes within any group of people; it gives us a compass to guide us through the fog of contemporary events and the ocean of information about them. The main pivots of contemporary social transformation in developed countries will be elucidated in the coming chapters.

The most important thing to take away from all of this — the thing that will help understand the rest of this book — is the concept of Holism. This idea is as old as the World itself. It's based on two postulates: common traits can be identified in all the variety of the World; and these common traits are more important than the differences. This is the idea that there is a universal key that can unlock many of the problems of the individual, and of society in general.

Chapter 1.2. The Crisis of Democracy

The monitoring of more variables, plus the enormous jump in data processing capacity made possible by computers, changes the problem facing political decision-makers from information underload to information overload.

This overload also means that interpretation becomes more important than simple collection. Data (of varying quality) are plentiful. Understanding is rare.

A. Toffler, *A Power Shift: Knowledge, Wealth, and Violence at the Edge of the 21st Century*, New York: Bantam books, 1992. Part 5, chapter 23

September 11th, 2001; the Boston Marathon bombing of 2013; the Arab Spring; the Occupy Wall Street movement; riots in London and Paris; the 2008–2009 and 2013–2014 economic and financial crises; government protection and nationalization of corporations; the use of quantitative easing in all countries; the expansion of the gap between rich and poor (both within each country, and between different countries throughout the world); the advent of a single informational field for all of humanity; ecological problems; dwindling natural resources and their inability to continue supporting developed-country lifestyles for the ever-increasing population; the unification of Europe, combined with increasing nationalism there; the cloning of

mammals and our helplessness against cancer: this is the kaleidoscope of challenges faced by democratic countries today.

The inequality between people's level of education, as well as their unequal levels of a desire to become more educated, and to increase their cognitive abilities, is evident. Clearly, therefore, **equal rights of participation in the solution of this most complicated kaleidoscope of problems (the right to vote) is not just**. Not to mention that with each passing decade it becomes more and more abundantly clear how increasingly ineffective this archaic way of making decisions is becoming. More and more people today believe that the old system of equal electoral rights is unjust. The right to decide what to spend all taxpayers' money on, belongs just as much to the professor, the engineer, and the doctor, as it does to the unemployed grammar school dropout.

We're not talking about racism, sexism, or any other form of discrimination.

How can we ask a blind man at what distance from him is a given house? What about if we need to know its shape and color? Some people can see better, some worse, some other people almost can't see at all, while still others can see very clearly and very far. The government holds elections, and asks everybody about this house: how far it is, what shape, and what color. And everyone — from the blind man, to the man with perfect vision — fills out the ballot, and has the right to an equal voice. Then the government counts up the votes and, naturally, the picture they get is far from reality. That's how our democracy works in its current form. This system is insulting to the blind, but they are forced to participate in the charade — to show up and vote, all the while pretending that they understand something about the issues.

Why, you will ask, dear reader, has this worked until now? "It has worked for two-hundred years, but now it no longer does?" Well, that's not altogether true.

Firstly, equal voting rights have only existed in America and Europe for much less than 200 years. In "dear old England," discrimination against women in voting was not eliminated until 1928! The histories of many peoples overflow with examples of proportional democracy: from the democratic pre-Christian and early Christian Russian cities, to the cities of Northern Italy, Holland, and Germany, which formed the foundation on which Capitalism developed in Europe, and whose democratic system is responsible for the Renaissance.

Secondly, the problems the world faced 200 years ago were not the much more complicated and informationally infused ones of today. Back then, all you had to determine was whether it was a one-floor house in front of you, or a 100-story building. "Check off either one box, or the other," and that's all there was to it. That system came up with the right decision 90% of the time. Since then our world has undergone various significant changes, which are known to all: exponential growth in the volume of information and its communication, globalization, and the considerable complication of problems and methods of solving them. So, merely average sight no longer allows us to come up with roughly the right answer. The questions we're answering are no longer simple:

[Insert quote from The Millennium Project, Jerome J. Glenn and Theodore J. Gordon, Global Challenges, 15, 2007, State of the Future, Chapter 1, Challenge 15]

All of human history tells us that scientific progress is unstoppable. The Inquisition in Europe was hard-pressed for centuries to stop scientific development, even by the cruelest of means. Can anyone seriously doubt today, that laws could possibly prevent a genetic operation from being performed on an embryo, that would considerably improve its memory, intellectual capacity, or intelligence? This operation will be as un-invasive, as the removal of a mole is today. Any parent who has the means will pay a doctor to get this done. What will this lead to? People who currently have money will get this procedure done, and have smart children who achieve more in life than regular children will. They will become relatively richer, and will be able to provide even more expensive and involved genetic operations for their children, which will increase their intellect and cognitive abilities even further. In a few generations, a group of rich geniuses will arise who will most likely be able to find ways of limiting the majority's access to these operations, and ensure for themselves and their offspring oligarchic hegemony over the dark masses for centuries to come. This is not science fiction. The decoding of the human genome is full speed ahead, and a whole science of "genetic engineering" has already sprung up. This problem is many times more important than the one being trumpeted everywhere — human cloning. Could this be because the artificial hierarchization of the human intellect has already begun? And the smartest people are already creating a smoke-screen out of issues that are not the most important ones, to make us forget the truly important ones?

What about the informationalization of our lives? Credit cards, the Internet, mobile phones, email, and social networks are all so convenient, aren't they?! But by using all of these lovely things, we leave informational footsteps with every step we take in our lives. The database is growing, and the tool that may one day be used for total control of the individual is thereby being perfected. Orwell never could have imagined the ease with which people can already be controlled today.

Information sometimes surfaces about Google, Facebook, Microsoft, or Gmail for example: information that tells us that surveillance of each individual with an iPhone, or with Windows on their PC — their correspondence via email, or through social networks — is already possible today; all debates on this topic usually end with that undoubtedly illuminating conclusion. But I think the most interesting thing is how we find out about this. How do people currently receive this information? It could easily have never reached us at all.

Let's take a quick overview of the Google scandal: Who blew the whistle? Who investigated it and got to the bottom of it? The smartest specialists, from one of the world's best universities (Stanford), and only after a complex investigation. These highly educated specialists might have easily been unable to reach the people. Google might have just bought their data for less than the \$22 mln. it ended up paying as a fine, and buried the studies. Google could have accused the scientists of... sexual harassment that took place 20 or 40 years ago, arrested them, and thereby killed two birds with one stone: destroyed their credibility by ruining their reputation, while simultaneously sending a threatening signal to other potential whistle-blowers.

You may think, dear reader, that this is all from the imagination of a sick person. Unfortunately, however, these are no longer fantasies, but the realities of our life today. A guy named Julian Assange has uncovered the secrets — not of a corporation called Google, but of a

corporation called the USA. He did the same thing the Stanford scientists did: he turned secret information into open information. And the USA corporation did the very thing to him, that now seems like a delirious fantasy in the Google case! And, the most alarming thing of all about our democracy is that the people are interested more in news about the sex lives of celebrities, than they are in the rare reports of such activities that do arise. And this, in a country whose whole history is defined by the struggle for protection of information, and free access to it! The country where this freedom is still better protected than anywhere else in the world.

Science has, for the first time in many centuries, created a powerful resource for potential dictators. The more developed the country, the more powerful these resources are. This danger is acknowledged even by the apologist of the American way of life, the ideologue of anti-Communism, the advisor to several US presidents, Zbigniew Brzezinski: “*Even civil rights are seen by some as threats to the national security.*” (‘*Second Chance*’: *Three American Presidents and the Crisis of American Superpower*, New York: Basic Books, 2007. Chapter 2).

In the future, these resources will only increase. Who can guarantee that we will be able to continue effectively controlling the situation? Especially by the same means as before, through a crude one man — one voice voting method from past centuries?

What could be a more authoritative opinion on contemporary democracy, than the thoughts of a former congressman, senator, and US vice-president Albert Gore? His book, *The Assault on Reason*, is peppered with phrases like, “crisis of democracy,” and, “democracy is in danger.” The Conclusion of his book is titled even more radically: “The Rebirth of Democracy.” This can be interpreted as stating that democracy in America is dead: only something that’s already dead can be “reborn.”

The constant expansion of the use of pharmaceuticals like Prozac and Ritalin and other “happiness drugs” by Americans, is like something right out of Aldous Huxley. Of course, they are only prescribed by doctors, and sold only by prescription. Prozac is to raise self-esteem, and Ritalin is to increase focus! There cannot be any clear criteria that the doctor uses as a guideline. It’s easier to write the script, than to refuse the patient. Self-esteem depends on the level of the natural narcotic Serotonin in the blood. Ritalin, too, is a narcotic. Of course, I’m not as inclined to over-dramatize this issue as F. Fukuyama is:

Virtually all human progress has been the by-product of the fact that people were never satisfied with the recognition they received; it was through struggle and work alone that people could achieve it. Status, in other words, had to be earned , whether by kings and princes, or by your cousin Mel, seeking to rise to the rank of shop foreman. <...>

But now along comes the American pharmaceutical industry, which through drugs like Zoloft and Prozac can provide self-esteem in a bottle by elevating brain serotonin.

F. Fukuyama, *Our Posthuman Future: Consequences of the Biotechnology Revolution*, New York: Farrar, Straus and Groulx, 2002. Part 1, chapter 3.

There are many engines that drive human progress, the desire for acknowledgment being only one of them. But what we can definitely agree on is that the economy depends on the existence of career people (hired workers), and those who are driven to compete (entrepreneurs). Not all of them are driven by desire for acknowledgment, which is connected to the level of

Serotonin, but the distribution of this type of narcotic happiness poses a serious threat to our way of life.

How are we to answer these, and similar challenges?

The seeds of the future are in the present. We just need to analyze the present carefully, and with an open mind — then we can see that some of these seeds are already sprouting today, though possibly in an unexpected form. We have to do as Keynes did 90 years ago: he was one of the few economists who paid any attention to the macro-economic regulatory practices put in place by the Soviet authorities in the 1920's.

The events of the first quarter of the 20th century buried Adam Smith and gave rise to John M. Keynes. The Great Depression of 1929 confirmed this once and for all. All the peoples of the world became convinced of the injustice of pure laissez-faire Capitalism. These events convinced many of the necessity of radically reforming classic Capitalism. Two peoples with particular penchants for idealism, maximalism, and messianism — the Russians and the Germans — chose a radical path: they threw aside the political system of bourgeois democracy, and nationalized the main corporations on which the economy rested. WWI convinced the Russians of this necessity, and the Great Depression did the same for the Germans. Keynes called the Czarist government, “*The cruelest, the most corrupt, and the least effective government of all that call themselves civilized. It prefers to ‘feed’ on human bodies, rather than human brains*” (J.M. Keynes, *Russia*, Manchester Guardian Commercial, 1922, 6 July).

Two peoples who had suffered throughout the 19th century under obsolete monarchic regimes and pure Capitalism, threw out the infant with the bathwater: they overthrew the bourgeois democracy, along with its system of checks and balances. And they are not to blame for this, because they were hardly aware of that system's existence themselves. At that moment, the elites among them allowed an enormous wealth gap to form: the descent into poverty of huge layers of society, and an increase of luxury and waste among the upper crust.

Countries like the USA, Great Britain, and France, on the other hand, had allowed for more democracy before WWI, while suppressing inequality. That is why they were able to separate the economy from politics, and gradually reform Capitalism without the extremes of Bolshevism and Nazism. It would be incorrect, however, to say that only internal reasons made this possible. We don't know whether the democratic peoples would have evolved in the direction of humanized Capitalism, if not for the negative example of two extreme revolutionary experiments: the USSR, and Nazi Germany. The ruling elites in democratic societies allowed for some socialization of their Capitalist system, only to prevent the spread of these extreme experiments in their own countries. The democratic countries' ruling elites' position in the 20-year period between the World Wars was very unstable — one in which they could have lost everything.

This is understandable. The 1917 Revolution took place in the largest Christian country in the World! The population of the Russian Empire in the 1910's was almost double that of the USA, and 4 times greater than that of Great Britain. The revolution of 1918 in Germany (65 million people) was its echo, so from that year, the process of revolutionary Socialist transformation had affected more than 230 million people, which, at the time, comprised more than half the population of the entire Christian world — North America and Europe, combined.

By the 1920's, Western Europe saw the standardization of the 8-hour work day, which was given to the workers of Western Europe (more to the point, to their Socialist-Democratic leaders), as a concession in return for their refusal to follow the example of the Russian Bolsheviks. Thenceforth, the laborers of Capitalist countries would achieve large Socialist victories even when their revolutionary upheavals ended in defeat. Not for nothing at the Tehran summit in 1943, proposing a toast at the dinner, British Prime Minister Winston Churchill "described Roosevelt as... one who through his courage and foresighted action in 1933 had indeed prevented a revolution in the United States and steadily since then *guided his country along the tumultuous stream of party friction and internal politics amidst the violent freedoms of democracy.*" (R.E. Sherwood, *Roosevelt and Hopkins: An Intimate History*, New York: The Universal Library, 1948. Part IV, chapter 30).

The most serious and insightful politicians of the Capitalist world appreciated the mortal danger that Capitalism was in the 1920's. During the Paris Peace Conference of 1919, British Prime Minister David Lloyd George prepared a document called *The Fontainebleau Memorandum* (dated March 25). This document contains the following phrases (by the way, the influence of J.M. Keynes is clear in this memorandum):

The whole of Europe is filled with the spirit of revolution. There is a deep sense not only of discontent, but of anger and revolt, amongst the workmen against pre-war conditions. The whole existing order in its political, social and economic aspects is questioned by the masses of the population from one end of Europe to the other.

After the Russian Revolution, Socialists took power in three of Europe's main countries: Germany (1918), France (1924), and Great Britain (1924). Even in the USA, where Socialists had much less sway, this period became known as the "Red Threat." The threat was so palpable, that the USA regressed to totalitarianism: people were subject to persecution not for their deeds, but for their views! In the summer of 1918, five-time US presidential candidate Eugene Debs was sentenced to 10 years of prison for speaking out in favor of Socialism. He was pardoned after spending 3 years behind bars.

On May 1, 1919, there were massive labor strikes. The one in Boston was forcefully dispersed by the Police, with 116 socialists arrested. Thousands more throughout the country were searched and arrested without warrants, many of them were beaten in interrogation, and denied legal representation. In 1920, the New York State Assembly suspended five LEGALLY elected Socialists by a vote of 140 to 6, for being elected "on a platform that contradicts the interests of New York State, and the United States." In 1920, Attorney General A. Mitchell Palmer made a speech, warning the country of a Socialist revolution, set to supposedly take place on May 1, 1920.

The role of the Russian Revolution in world history, and that of Trotsky in that Revolution, will be shown in great detail in Part Two of this book. I will present one simple fact here, however: the Russian Revolution was being written about in newspapers throughout the world, including *The New York Times*. If we look at all the issues of the Times for the three months immediately following the Bolshevik takeover, then we will see twice as many mentions of

Trotsky, as of Lenin! Which means that in these initial months, the World associated the Revolution with Trotsky much more than with Lenin.

Year after year, the Russian and German experiments showed amazing economic results. The Bolsheviks restored their economy in record time, after two major wars: WWI, and the Russian Civil War. The Nazis liquidated the consequences of the Great Depression faster than any other country. I will henceforth not touch on the German experiment for two reasons:

1. Due to various circumstances, its international influence was much less evident than that of the Soviet Union;
2. It could not have contributed to Keynes' theory, because it began 10 years after the Soviet one, by which time Keynes had already created the core of his theory.

And it is precisely Keynes whose views are considered to be the foundation of European and American elites' reforms of their countries' socio-economic systems.

Can you guess, dear reader, whether these words belong to Lenin or Trotsky?:

The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit.

This sincerely socialistic slogan, but delivered in an evangelical style, was spoken by Franklin D. Roosevelt at his first Inauguration in 1933.

Here's a phrase that sounds like it's right out of late Marx:

If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary. Moreover, the necessary measures of socialization can be introduced gradually and without a break in the general traditions of society.

This was written by J.M. Keynes, and not in some article, but in his main work, *The General Theory of Employment, Interest and Money* (1936, Book 6, chapter. 24). Keynes only differed with the Communists on one question: whether the economy should be nationalized. "It's not ownership of the means of production that matters to the government," he wrote in the same work. Keynes insisted that the same results could be achieved, leaving the factories in the hands of the capitalists.

In the 20 years between the Wars, Keynes visited Soviet Russia three times: in 1925, 1928, and 1936. After his first visit, in his essay, *A Short View of Russia*, Keynes called the country a "Laboratory of Life" (Keynes' capitalization!). In Soviet Russia, Keynes stated, an "experimental economic technique" was being put into use:

*...at the heart of Russian Communism there is something else of more concern to mankind. ...Here the chemicals are being mixed in new combinations, and stink and explode. Something — there is just a chance — might come out. And even a chance gives to what is happening in Russia more importance than what is happening (let us say) in the United States of America (*A Short View of Russia*, London: Hogarth Press, 1925).*

Keynes concludes his essay with pith:

So, now the deeds are done and there is no going back, I should like to give Russia her chance; to help and not to hinder. For how much rather, even after allowing for everything, if I were a Russian would I contribute my quota of activity to Soviet Russia than to Tsarist Russia! <...> I should feel that my eyes were turned towards, and no longer away from, the possibilities of things; that out of the cruelty and stupidity of Old Russia nothing could ever emerge, but that beneath the cruelty and stupidity of New Russia some speck of the ideal may lie hid (A Short View of Russia, Hogarth Press, 1925).

In 1926, in the book *The End of Laissez-faire*, Keynes wrote: “*I criticise doctrinaire State Socialism, not because it seeks to engage men’s altruistic impulses in the service of Society, or because it departs from laissez-faire, or because it takes away from man’s natural liberty to make a million, or because it has courage for bold experiments. All these things I applaud...*”

When he visited Soviet Russia again in 1928, the country was developing the very first nationwide five-year plan for economic development, in human history.

In 1930, Keynes framed his new view of Capitalism in a two-volume tome, *A Treatise on Money*. The first signs of the argument for government regulation of the market economy appear in this work.

Keynes delivered some talks in Moscow in 1925, to Soviet economists working in government macro-economic regulation agencies. One of these speeches was given on September 14, 1925, and was followed by a Q&A, and concluding remarks. The record of this event was kept in classified archives, and was not published until the end of the 20th century!

Critical comments and questions from Soviet economists forced Keynes to acknowledge the necessity of cardinally reforming Capitalism. One of the Soviet critics wrote:

In answering questions, Prof. Keynes stated that he is not an advocate of the Capitalist system in its present form, and that he believes a number of means of improving upon it are possible; that the existing social order needs to be rebuilt on a more ideal foundation.

All Communists, beginning with Marx, had tried to prove the unsustainability of Capitalism. Keynes’ genius lies in the fact that he found the courage to admit the Communists were right, and that a cardinal transformation was necessary. The only thing that divided Keynes from the Communists was their understanding of the means of bringing about this transformation. The Communists believed that this transformation could only be brought about by means of a political coup; if the proletariat took power. Keynes hoped for reforms in Europe and America by evolutionary means — without the need for Socialist revolution.

In search of this method, Keynes paid much attention to the macro-economic regulatory practices of the Russian market economy of the 1920’s. This is what he was referring to in his concluding remarks to the Soviet economists.

The Great Depression pushed the American people to replace traditional Liberalism (Herbert Hoover) with market Capitalism (Franklin D. Roosevelt). Other developed countries then followed suit.

The practice of economic regulation used in the Soviet New Economic Policy [NEP], combined with the death sentence handed down to Capitalism by the Marxist economists, influenced the development of Keynes' theory. At the same time, the Russian Revolution prepared the European and American elites for acceptance of this theory as a means to saving Capitalism. It's a wonder that November 7th [anniversary of the Bolshevik "October" Revolution of 1917] did not become a national holiday in the United States, Great Britain, and France!

Another great 20th century economist, Joseph A. Schumpeter, considered the Russian Revolution is "...a factor in shaping the fortunes of both socialism and communism all over the world — in fact, in shaping the social and political history of our time..." (J.A. Schumpeter, *Capitalism, Socialism and Democracy*, London and New York: Routledge, 1976. Part V, chapter XVII, §3). Like Keynes, Schumpeter was significantly influenced in his economic research, by Soviet Russia. He based his concept of economic growth on the Long Waves Theory of the Soviet economist N.D. Kondratiev. Because of Schumpeter, Kondratiev has long been considered by economists to have discovered "supercycles."

This, however, is one of the many myths debunked in this book. Kondratiev first arrived at that idea when he was working on his book, *The World Economy and Its Conjunctures During and After the War*, which he did not finish, according to his own words, until the Fall of 1921. Half a year before this, Trotsky had completed his research of the world economy based on economic statistics over the previous 140 years. In June of 1921, he gave a speech and released his findings in this analysis. It was in this substantial report that Trotsky did put forth his ideas about long economic cycles in Capitalist economies. Schumpeter did not know about this, but Kondratiev knew it very well. Moreover, Trotsky and Kondratiev discussed issues of Capitalist economy and stages of its development with each other. Their ideas were not identical, but both recognized the existence of supercycles in the world economy. Trotsky's ideas were presented earlier, after all.

Today, America and Europe find themselves at the threshold of the next phase of a long socio-economic cycle. This phase is similar to the one in which Trotsky and Kondratiev were living, thinking, and laboring, when they analyzed the world economy contemporary to them. As these, and other developed countries, enter this new phase, the relevance of Trotsky's ideas on economics will increase more and more. Part Three of this book will discuss this in detail, along with many other things that are important to us today.

Chapter 1.3. How Trotsky Anticipated Keynes, and the Soviet NEP Foreshadowed the US Economy of Today

*1891–1991 is a mystical century:
In 1891 Trotsky was 12 years old, and had no idea that one day
he and Lenin would lead a revolution in the largest Christian country in the World;
that he would introduce the red star as the symbol of a revolutionary soldier
destined to become known throughout the World,
and that under his leadership these soldiers would win a devastating civil war.
That he would found the USSR — a country that would become a 20th century superpower.
That this country would exile him 12 years after the Revolution,
then send a hitman after him,
then, several more decades later, after the assassin was released from prison,
the country would decorate him with a red star.
And that after this the country would only have 12 years left to live: Until 1991.*

Author

Everyone has seen the famous portrait of Che Guevara, with the red star on his beret. But few people know who introduced this symbol as a decoration for excellence in a revolutionary soldier: it was Trotsky, in 1918, when he founded the Red Army. Unlike his design ideas, his no less remarkable economic ideas are almost unknown.

The Bolsheviks had inherited the same economic structure, with all its problems, as the one at which the economies of North America and Europe are arriving today: they empirically anticipated not only Keynes and Roosevelt, but the whole macro-economic regulatory practice of today's USA, and other developed countries.

Russia wasn't the only country that suffered losses in WWI. By the early 1920's, however, only Germany was as destitute as Russia was. With foreign aid, by 1927 the physical volume of manufacturing production in Germany reached 106% of its 1913 level. The same economic indicator in Soviet Russia, which could not make use of foreign capital, shows 120%!

The failure of the Bolsheviks' policy regarding the market economy, as evidenced by the collapse of NEP, is all too obvious. Initial success, followed by collapse. But where is that line, at which Success begin to turn to Failure? After many years of researching this question, I conclude that it was in 1924–1925. It was then that the mechanisms began to be put into place, that four years later would destroy the relationship between the state industrial-transport sector, and the private rural agrarian sector.

This period also marks Trotsky's transition from leadership to opposition. In 1924 Trotsky begins to openly oppose the leaders of the majority in the Bolshevik party. Is this an accidental coincidence? Only at first glance. Upon closer inspection of the documentation of the dialogue taking place then, it turns out that the economy, and problems related to it, lay at the heart of the animosity between factions of the Party — and not a struggle for power, as the Stalinists tried to portray it.

What did the NEP consist of?

The two main economic sectors of the time — Industry and Agriculture — were almost polar opposite types of sector, as far as competition was concerned.

1. There was a slew of small agrarian companies, competing with each other;
2. and a large, centralized industrial and transport sector, belonging to one owner — the state.

Small private industry was increasingly losing its influence with each passing year, and did not represent a competitive threat to the state sector.

The highly competitive agricultural sector and the monopolized industrial-transport sector created a profound imbalance.

According to Toffler's ideas about waves of technological progress (the agrarian, the industrial, and the informational), today we can lump the first two together, and call it "material production." In the USA today, 3/4 of the employed population work in the service industry, and other sections of the non-material sector.

So, the contemporary economic structure of North America and Europe represent:

1. A subsidized agrarian sector, and large corporations controlling manufacturing, transport, and finance, which have been growing increasingly dependent on the state since 2008;
2. and a highly competitive informational and service sector, with a great many small and medium independent economic agents.

Add to this the growing wealth gap, and, as hard as it may be to believe, this structure looks a lot like the NEP economy in Russia.

What should macro-economic regulation be like under these circumstances? What is the optimal combination of planning and free competition? What is the optimal economic structure? What is the most effective way of avoiding crises? How can we achieve a balanced budget, and a trade and wage balance?

These are the questions we are faced with today. In 1920, these are the questions the Bolsheviks faced, with Leon Trotsky at the helm.

Everyone knows about China's economic success: it's a country that in 30 years has turned from a poor third-world country, into a 21st century superpower. But few people realize that the main aspects of the Trotskyist platform of 1920's Soviet Russia, match those of the successful Chinese economic policy of the last decades of the 20th century. China has turned out to be a wise country, and put in a similar situation, turned to Trotsky's economic suggestions.

The father of China's economic miracle, Deng Xiaoping, was a student in Moscow in 1926. The struggle between the Trotskyists and the Stalinist-Bukharinist camp was expressing itself then in debates on options for economic development. Trotsky's ideas then enjoyed particular influence among the educated layers of Muscovite society, including students. The fault line along which these economic discussions was taking place, was the question of isolationism VS. openness. Trotsky was in favor of expanding the outside network, an open market economy, and the inclusion of Russia in the worldwide division of labor. Bukharin and Stalin argued for a national socialist concept, which would be self-sufficient, and independent of the global economic market. In the late 1970's, Deng Xiaoping managed to lead China out of the

dead end of Maoist-Stalinist isolationism, onto the path of open market economics. Many believe this is the key to China's current economic success.

But there is yet another reason that Trotsky has ended up in this book. I have already identified the role that class struggle plays in the economic situation in today's America and Europe. The Russian Revolution of 1917 has turned out to be the brightest star in this struggle's firmament. If not for Lenin and Trotsky, this revolution may not have taken place at all. But Lenin was out of political life a mere 5 years after the Revolution, having left no cohesive conceptual instruction for how the lonely revolutionary country should develop. Trotsky spent the rest of his time struggling against the ever-strengthening hold of Stalinism, and did propose a coherent political-economic alternative to Stalinism, which we will show in following chapters.

Trotsky's example is also a good one for demonstrating how destructive it can be to ignore certain ethical norms that arise from universal laws. The application of universal laws will allow us to decode the secret of how a person of high intellect and a generator of breakthrough ideas can turn into a creative eunuch by the end of his life. It will also expose the mechanism by which a person of deep honesty and integrity, who had sincerely and passionately fought for social justice and tolerance of alternative points of view, turned into one of the founders of a dictatorship. Lenin did not live long enough to serve as a good example of this. None of Trotsky's other contemporaries who did live long enough after the Revolution to serve as examples, come anywhere near him in terms of intellect, or passion for social justice, or for that matter, certain personal qualities. That is, nowhere else do these qualities all meet in one person. The text you read now, dear reader, is blackest, and best seen, on a white background.

Stalin and Hitler had many wonderful personal qualities. Both sincerely and passionately wished prosperity and happiness for their people. And both of them subjected their people to violence and war. Under their leadership, both their peoples sustained the heaviest losses in their entire respective histories. How did this happen? How did such an enormous gulf form between the sincere desires of these leaders, and the results of their work?

This is a very relevant analysis: we see so many leaders today with wonderful personal qualities and an earnest drive to serve their people!

In the last decades, Hollywood has come to create more and more films that praise the noble hero who sometimes resorts to unlawful means for the sake of justice. The directors of the films make the audience sympathize with this hero. But rule of law is the very thing that differentiates democracy from a dictatorship.

First, the shift in the American mental paradigm from formal law to "revolutionary common sense" pushes directors to make according films; then a feedback loop is created, whereby these films reinforce and redistribute this new paradigm through their influence. People grow accustomed to the idea that it is acceptable to break the law for the sake of a good cause.

Could this be why Americans did not take to the streets when they found out about the many illegal acts committed by their government under the guise of fighting terrorism?

Government agencies in the US are expanding and deepening their control over the population. This is evidenced by the materials exposed by CIA operative Edward Snowden, which demonstrate ubiquitous electronic surveillance of United States citizens, by the National Security Agency. It cannot be said, however, that the publication of this scandalous information

has left Americans indifferent: in April, 2014, the journalists who published it received the prestigious Pulitzer Prize.

And yet, we seem to be entering an age, for the understanding of which a knowledge of 20th century Russian history is vital.

..... to be continued