

## EIR Daily Alert Service

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## EDITORIAL

### **Change the Economic Axioms: Know How We Got Them**

March 23 (EIRNS)—Look at the ongoing, desperate struggle of elected officials and governments in so many countries to find the means to save their constituents' lives—and with the global financial system at the edge of an epic crash—and you are seeing the tail-end effects of 50 years of destruction of sane economic thinking and policy. There is constant talk

and writing now about “changing the way we look at the value of human life”; but that takes understanding what happened in the early 1970s when an economic order which emphasized invention and production was destroyed, and an economic order which placed highest, indeed almost exclusive, value on enrichment by speculation. That was the point—the London’s destruction of Franklin Roosevelt’s Bretton Woods currency and credit system and its replacement by the “floating exchange rate” global casino—when Lyndon LaRouche threw down a marker and said this must be stopped, reversed. If not, there will be such austerity against production, living standards, that there will come new pandemics and the return of old ones.

Fifty years later, the reason that prime ministers, governors, mayors are frantically short of public health facilities for a pandemic, is that their health systems are *designed* to be short, to be “economically efficient.” After World War II the United States thought of—even thought to legislate in the Hill-Burton Act—four to five fully equipped hospital beds per thousand residents of every county. Today one and a half beds per thousand, located where they will almost always be full, are thought “more efficient” in a global economic system in which every flow of payments must be subject to securitization, financialization, and your predatory new owner the City of London hedge fund.

Then consider the developing countries, facing a pandemic like COVID-19 with a small shadow of even the depleted public health system common to the industrial countries. Franklin Roosevelt’s intention for that Bretton Woods system which the City of London destroyed 50 years ago, was to invest in capital goods exports and development projects in those developing countries to use what he called “American methods” for “American standards.”

Worse, the cultural degeneration in the 20th century which accelerated when pride in a productive economic identity, for the general welfare, gave way to self-pride in wealth and spending for the hedonistic individual welfare.

The task Lyndon LaRouche set himself for that entire half-century was, with one great project and development program after another, to create a New Bretton Woods system. First and foremost, to place the highest priority on scientific advance, space colonization and space science, fusion energy science and plasma technologies, breakthroughs in biophysics. And in order to achieve such real high-technology development, bring back productive bank lending by Glass-Steagall breakup of the City of London and Wall Street monsters, and national banks in every country issuing productive credit in cooperation.

LaRouche's economic "Four Laws" are the only actions that will make real durable human survival and progress, come out of today's "Pearl Harbor" reaction to suddenly threatening deadly pandemic and economic collapse. Restore the international collaboration that worked 50 years ago, but better.

LaRouche's widow Helga Zepp-LaRouche has been fighting for an essential summit of great-power leaders to cooperate on every aspect of this fight for human life, and to establish a new credit system for development. This week with discussion among G20 leaders about meeting "virtually" to discuss fighting the pandemic and its economic impact, is a critical time to accelerate the campaign behind her summit call.

## COLLAPSING WESTERN FINANCIAL SYSTEM

### **Former UNCTAD Economist Flassbeck Argues for Market Holiday, Instant Kreditanstalt Business Loans**

March 23 (EIRNS)—In an exclusive interview with Milena Preradovic's blog, Punkt.Preradovic, former chief economist of UNCTAD in Geneva Heiner Flassbeck calls for a shutdown of stock markets for one month, or better for two, because continued ups and downs make people nervous and aggravate the panic. He also urges throwing the EU Maastricht criteria, and dogmas on debt and debt brake (zero budget increases), overboard. Flassbeck's recommendations indicate fertile ground in some circles for the

proposals in the direction of Glass-Steagall and LaRouche's Four Laws, made by Schiller Institute President Helga Zepp-LaRouche two weeks ago.

Flassbeck says the most important thing, next to the necessary medical measures, is to grant loans at an enormous range to companies, to prevent them from going under, and, where necessary, to enable them to continue production. The present crisis is not a recession, but a deep shock that will likely cause a reduction in economic output by up to 30%, Flassbeck says, and which requires a serious emergency mobilization, because one cannot simply shut down all of the economy and wait for something to happen. The debt ratio in Germany and elsewhere will grow to 90-100% of GDP, but this is a very specific situation in which one cannot conduct business as usual. And, it would be completely irresponsible, he continues, once the disease crisis is over, to try to return to budget austerity as a means to drive the debt ratio back to the 60% rule of the Maastricht system.

Companies need emergency loans in the next few days, not in five months, when the bureaucrats have finally looked at all the figures, at which point the companies may no longer exist. Move the bureaucrats out; new people who know what to do and do it quickly must take over. The instant loans to the companies should be handed out by the German state bank Kreditanstalt für Wiederaufbau.

### **Helicopter Money Is Not Free, It's Taxpayer Money to Wall Street**

March 23 (EIRNS)—The gigantic “coronavirus Bill 3” under furious negotiations in the Senate since March 19, failed to get past procedural votes today. It clearly was intended by the Senate Republican leadership to save stock markets from another plunge, but was replaced in that by a blizzard of announcements of new Federal bailout programs early Monday morning, March 23.

The legislation—which may now be replaced by a \$2.5 trillion bill originating in the House and which Republicans will oppose—had one huge chunk of about \$500 billion in spending for aid to small business, states, and cities. A still larger amount was to be paid out to households and individuals, inversely to their 2018 taxable income. And some \$425 billion

was to go to the Treasury to cover the Federal Reserve's losses on the blitz of QE and lending it is doing.

Here are the Federal Reserve's operations over the past 20 days as it has desperately worked to make frozen and collapsing City of London and Wall Street securities markets liquid:

- Cut interest rates from 1.25% to 0.15%.
- Launched over \$700 billion in quantitative easing.
- Launched a \$1.5 trillion repo program.
- Launched a second \$1 trillion repo program.
- Announced it will begin buying commercial paper (short-term corporate debt) from banks.
- Allowed primary dealer banks to use stocks and many other securities, as collateral in exchange for short-term credit.
- Announced it will begin buying municipal debt from banks.
- Opened unlimited dollar swap-lines to 14 other central banks for their similar operations with dollar-denominated securities.

As it has gone through all these credit markets one after another, they have all remained largely frozen. So, on Monday morning, it added buying corporate bonds directly; but much more: The Fed announced its “quantitative easing” programs were now absolutely without limit. And in fact, it is now buying securities from banks and Wall Street and City of London financial firms at the nearly inconceivable rate of \$125 billion/day.

Even as the Senate bill was failing to advance, Treasury Secretary Steven Mnuchin, the White House principal in the Congressional negotiations, said last night that the bill was “cooperative with the Federal Reserve” and was intended to provide “\$4 trillion in total liquidity to businesses and households”—a nice phrase for Wall Street speculators getting most of it.

Whether or not that \$450 billion appropriation remains in the legislation as it progresses, it's the law that the Treasury will have to pay the losses in the Fed's frenzy to buck up the values of many trillions in failing securities. And the losses will likely be larger than that figure. The Treasury will issue bonds to borrow that money, and eventually taxpayers will pay for those losses. Helicopter money is not "debt-free."

A sane policy would exclude all these City of London- and Wall Street-created securities from any support either by taxpayers or commercial banks. That requires putting the big City of London and Wall Street bank holding companies through Glass-Steagall reorganization immediately, to "dry out" the securities markets. Helga Zepp-LaRouche has wisely called for a holiday of those markets to allow such Glass-Steagall bank reorganization.

### ***Financial Times* Uses Pandemic To Ram Through 'Helicopter Money,' and Bail Out Dead Financial System**

March 23 (EIRNS)—An article published in the March 20 issue of London's *Financial Times*, under the byline of Martin Sandbu, the *FT*'s Oxford- and Harvard-trained European Economics Commentator, issued an explicit call to use the "war against the coronavirus" to pivot to the desperate policy of releasing unlimited "helicopter money" to bail out the dead trans-Atlantic financial system—precisely the policy announced today by Federal Reserve Chairman Jerome Powell.

Under the headline "Coronavirus: The Moment for Helicopter Money," and the subhead "Economic taboos are being broken to finance the huge government deficits needed to fight the crisis," Sandbu sought to make his case, citing carefully selected sources. "Robert Chote, the head of the watchdog charged with monitoring U.K. fiscal discipline, said this week the government should not worry about short-term deficits because it was facing something like a 'wartime situation.' 'This is not a time to be squeamish about one-off additions to the public debt,' he told MPs."

Sandbu explained that various "unorthodox" policies have been under active consideration. "The most important of those unorthodox approaches

is the ‘helicopter drop’—printing money and handing it out to everyone, with no strings attached.... Some economists now call openly for explicit helicopter money in the sense that central banks should directly fund government deficits. ‘I do think the time is right for monetary finance.... There would be a clarity of assuring people that there is no limit on the money available,’ ” he quotes Lord Adair Turner, the former head of the U.K.’s Financial Services Authority.

Sandbu continued: “Betsey Stevenson, an economics professor at the University of Michigan and a former economic adviser at the Obama White House, points to the broad coalition of people all supporting cash handouts.... ‘The attitude should be we’re at war with this pandemic, we’re going to win this war,’ and double-digit deficits are a price worth paying, says Ms. Stevenson.”

It is notable that this March 20 *FT* high-profile call for “helicopter money,” was issued just hours before St. Louis Federal Reserve President James Bullard gave a phone interview to Reuters calling for the same policy. (See “St. Louis Fed’s Bullard Claims Unemployment Could Hit 30%, but the Fed Can Just Bail Everyone Out,” *EIR Daily Alert*, Monday, March 23, 2020.) Arguing that U.S. unemployment could quickly hit 30%, Bullard stated that the Fed policy should be to “match any lost wages. Match any lost business, no questions asked, no arguments about bailouts or ‘moral hazard’—the sticky issue of publicly funded rescues of bad actors”—i.e., the bankrupt speculative banks.

The roots of the “helicopter money” ruse go back to so-called Modern Monetary Theory, and its leading exponents such as Keynesian Prof. Abba Lerner (whom Lyndon LaRouche defeated in a December 1971 public debate at Queens College), and anti-Keynesian luminary Milton Friedman.

## U.S. POLITICAL AND ECONOMIC

### President Trump Observes ‘We Have Learned a Lot,’ at Daily Task Force Briefing

March 23 (EIRNS)—President Donald Trump shook things up again, at today’s press briefing, raising the possibility that sections of the country could, sooner rather than later, “be opening up again for business.” This process would be tailored by region and “not in a few weeks.” He also replied, when asked to pin down a range, “I am also not talking about months.” The State Department’s Dr. Deborah Birx MD was quickly asked if she shared the President’s optimism, and she took the opportunity to explain that the results from testing were now providing a great deal of data. She also thanked other nations, singling out the European countries, for sharing their data. At first, Dr. Birx explained, we had no option but to take a tough, single-minded approach, but it was “now possible to go back to case finding,” working in areas where there are lower levels of infection.

“We have the data of two countries who have gone through the disease process—China and South Korea—and both found that the virus infection rate followed approximately an eight-week curve,” stated Birx. In the United States, Dr. Birx said that “each region will be on their own curve.” This assessment “has to be done in a granular way, to use analytics” to determine where we are on that curve in each respective area of the country. President Trump added, “We can do both things at the same time, and we’ll be watching very closely.... We’ve gone through a tremendous learning process. We have to open our country, open our economy,” Trump wanted to emphasize. “We are not built to be shut down,” and therefore, at the right time, in designated areas, businesses will be allowed to “cautiously resume” activities. The President pointed to states such as Idaho and Nebraska, and contrasted them to New York.

Noteworthy is that President Trump had begun the briefing by stressing “the need for a unified nation and keeping it that way. We must protect our Asian-American community, and around the world. Very important. It is not their fault in any way. Together we will win this war.” Asked later

about what might be behind his remarks, he replied that there were indications that there could be some “nasty language towards Asian Americans. I am not going to allow that. We will prevail together.” He otherwise said that the virus could be called by a number of names. Today at least, he never referred to the coronavirus as the “Chinese virus,” but only as “the virus.”

Vice President Mike Pence reported the latest testing figures: 313,000 tests completed, with somewhat more than 41,000 testing positive (about 13%). New guidance also is forthcoming, to ensure that all state and hospital labs are required to report all tests to the Centers for Disease Control and Prevention. He spoke briefly of his conference call with governors today, again emphasizing successful cooperation and reassuring that all requests will be reviewed and acted on expeditiously. Again, the emphasis was on local and state efforts, with Federal support.

### **China’s Ambassador to Washington Cui Insists To Stop ‘Crazy’ Statements on Virus Origin**

March 23 (EIRNS)—In a March 22 interview with “Axios on HBO,” China’s Ambassador to the United States Cui Tiankai denounced charges being made of a “deliberately spread virus,” whether made from China or the United States, as “crazy.” It was not the first time he had said so, but real animosity has erupted on the American side since Chinese Foreign Ministry spokesman Zhao Lijian raised on Twitter the claim that American athletes may have brought the virus to the Military Games in Wuhan in last autumn.

Axios’ journalist quoted to Ambassador Cui what he had said on “Face the Nation” on Feb. 9: “There are people who are saying that these viruses are coming from some—some military lab, not of China, maybe in the United States. How can we believe all these crazy things?”

Cui replied that he stands by that statement. “That’s my position then and that’s my position now.” He further stated that it should be left to scientists to describe where the virus originated, and said it’s “very harmful” for journalists and diplomats to speculate about its origins. Cui

also made clear to Axios that he is the one who represents China's views in the United States.

Cui blamed people in Washington, as well, for spreading unfounded rumors, probably meaning Sen. Tom Cotton (R-AR), who has provocatively claimed since January that the virus likely "escaped" from a biochemical lab in Wuhan. Senator Cotton has acknowledged, reports Axios, that there is no evidence for his claim, either.

## SCIENCE AND INFRASTRUCTURE

### Big Trial of New and Old Antivirals Proposed

March 23 (EIRNS)—A useful proposal was made on "Face the Nation" March 22 by Food and Drug Administration Director Scott Gottlieb. He proposed that the Centers for Disease Control and Prevention (CDC) and FDA hold a large multi-arm, randomized controlled trial with a number of different antiviral medications at once, or a series of such trials, including monoclonal antibody treatments now being developed. He added that the government should order millions of doses of each drug being tested, in advance—even though it would have to eat the expense of the orders for whichever antivirals do not turn out to act on the novel coronavirus, it would have millions of doses on hand immediately for whichever ones do show activity.

This, Gottlieb said, could mean the United States would be able meaningfully to treat coronavirus patients by summer.

## THE NEW GLOBAL ECONOMIC ORDER

### Philippines President Duterte's Emergency Bill—Will He Renationalize Water and Power?

March 23 (EIRNS)—Philippine President Rodrigo Duterte has been in a public brawl with the oligarchical families in the country for the past year, threatening to nationalize their privatized companies, over the water utilities' abuse of the courts to try to extort money from the government,

and over the outrageous rates for water and electricity, as well as the poor quality of service. Now, with the COVID-19 a major threat to the people of his nation, he has introduced a bill to establish a State of National Emergency, granting the President emergency powers to bypass some regulations and to give access to certain funds to fight the virus. Already the city of Manila is in quarantine, and it has been announced that next week they may impose total lockdown, with food to be delivered to people's homes. The Emergency would be in place for "two months, or throughout the state of calamity, whichever comes later," said the chair of the House Ways and Means Committee Rep. Joey Salceda.

But one major concern is the supply of water and electricity to all, regardless if bills are being paid. The draft of the emergency legislation circulated on March 22 included granting Duterte the power to temporarily take over the privately-owned public utilities, which were privatized after the 1986 coup against President Ferdinand Marcos, as part of the destruction of the Philippine economy overseen by U.S. neocons George Shultz and Paul Wolfowitz.

The oligarchs howled in opposition, and 22 Chambers of Commerce from America, Australia, the EU and others joined the Makati (the business center of Manila) Associations in giving lip service to an emergency bill, but only on condition that the President drop the threat to nationalize the utilities and other private businesses. As the *Philippine Daily Inquirer* reported, "the public outcry against this earlier version prompted both houses to tone down their respective bills, removing the phrase that said the President could temporarily take over businesses."

LaRouche's representative in the Philippines, Butch Valdes, has led the fight for years to reverse the disastrous privatizations of the utilities, and has called on the President to carry through on his warnings that he may do so. Valdes, who also founded the Katipunan ng Demokratikong Pilipino party, is planning to introduce a "LaRouche Hour" on Facebook starting Tuesday, March 24, from his home, during the time he and all seniors have been ordered to remain at home.

## **Tons of Medical Supplies Arrive in Greece from China**

March 23 (EIRNS)—Several tons of medical supplies arrived in Greece from China on March 21, including 550,000 medical masks, surgical masks, protective gear, goggles, gloves, and shoe covers. In addition to supplies from the Chinese government, there are also supplies donated by Chinese enterprises and organizations. The Chinese aircraft arrived at Athens airport, where Chinese Ambassador to Greece Zhang Qiyue handed over the list of the medical supplies to Greek Health Minister Vassilis Kikilias.

Expressing gratitude, Kikilias said: “During a global shortage of these goods and an immense battle waged by the Health Ministry in order to secure supplies, this today is a great relief, and we will continue to fight in order to equip our hospitals. It is very significant that we have this cooperation with China, and it is providing this assistance that we need.” He observed that Greece itself cannot manufacture enough of this equipment.

Ambassador Zhang thanked the Greek government for its strong support for China in the course of China’s fight against COVID-19, as evidenced by letters by Greece’s former President Prokopios Pavlopoulos and by Prime Minister Kyriakos Mitsotakis to Chinese President Xi Jinping. Ambassador Zhang also commended as early and forceful the Greek government efforts and measures against the pandemic.

Foreign Minister Nikos Dendias, in a discussion with Chinese Foreign Minister Wang Yi on March 20, expressed Athens’ unbounded support for the Chinese people and thanked him for the medical supplies assistance from Beijing.

## **Russia Building Infectious Disease Hospitals Dedicated To Fight COVID-19**

March 23 (EIRNS)—Russia is building an emergency hospital in consultation with China. TASS quoted Russian Deputy Prime Minister Marat Khusnullin as saying Moscow’s decision follows a close study of such units China built, with whom they will be cooperating, reported

Reuters yesterday. The construction of one such hospital is already under way 50 km outside Moscow.

“In order to be prepared for all the ways in which the situation could develop, the decision has been taken to begin construction of additional isolation units in several regions,” Khusnullin told a state television program. “We have studied China’s experience very carefully and how they built [isolation units].”

Radio Free Europe (RFERL) carried a report on March 18 on the hospital being built outside of Moscow. Looking very similar to the construction site of the Wuhan emergency hospital, photographs show the site of a hospital, that when completed will have 500 beds. Dozens of excavators, dump trucks, and cranes can be seen levelling a large area and building the foundations. The prefabricated structure is located in Babenki, about 50 km southwest of Moscow. The authorities report that it will be ready in the “near future.” An existing Moscow hospital has been dedicated for exclusive treatment of coronavirus, but Mayor Sergei Sobyenin is seeking more capacity.

RFERL cites the head of Russia’s Bashkortostan region, about 1,200 km east of Moscow, as saying his region will also build such a hospital within the next few months.