

EIR Daily Alert Service

P.O. BOX 17390, WASHINGTON, DC 20041-0390

- Wall Street Story: U.S. Banks Withdraw Credit Despite Huge Deposit Increase
- Semiconductor Obsession: More Sanctions Mooted by DOD
- *Foreign Policy* Laments Trump's Non-Support for Coup in Belarus
- Martin Sieff Publishes Timely Article on President McKinley's Assassination
- DNI Ratcliffe Blasts Democrats for Sending Misleading Classified Document to FBI
- Russians React to B-52 Flights over Ukraine
- India's Second-Quarter Collapse Was the Worst
- China Test of Its Experimental Reusable Spacecraft a Success
- COVID-19 Vaccine Result Possible by Early to Mid-October
- Analysts Fix China 2019 Africa Investments at \$95 Billion
- *Consortium News* To Cover Assange Extradition Hearing Sessions Live This Week
- Serbia-Kosovo Normalization Talks Move to Brussels

EDITORIAL

Wall Street Story: U.S. Banks Withdraw Credit Despite Huge Deposit Increase

Sept. 7 (EIRNS)—It's past time to break up the Wall Street megabanks, which are not only harboring huge derivatives and securities debt bubbles, but withdrawing credit from the U.S. economy even as the Federal Reserve

is pumping them full of liquidity and deposits. This is typical of the biggest City of London/Hong Kong banks as well, and also in evidence in the shaky banking system of another major power, India. The Federal Reserve has acted as the dollar liquidity pump for financial markets throughout the trans-Atlantic, South America, and parts of Asia since the start of March.

Deposits in the entire U.S. banking system have spiked in an extraordinary manner as the Federal Reserve has inundated world markets with newly printed dollars, “to support them.” Total deposits as of Aug. 26 were \$15.625 trillion, grown from \$12.836 trillion in July 2019; that’s \$2.791 trillion in new deposits in a year’s time. Some \$2.247 trillion of that extraordinary deposit growth has occurred since the beginning of March when Federal Reserve quantitative easing exploded.

But over the months since March, “loans and leases in bank credit” have fallen from \$10.800 trillion to \$10.580 trillion; within that, commercial and industrial loans have dropped from \$3.040 trillion to \$2.785 trillion outstanding. No need to wonder where all that new cash liquidity is going: So-called bank credit in the form of *securities* is up by \$700 billion, from \$3.679 trillion a year ago to \$4.375 trillion; and real estate loans are up by another \$175 billion. Cash assets have leaped up from \$1.664 trillion to \$2.864 trillion.

At this point, the securities holdings of the U.S. banks are 30% of their entire “bank credit” outstanding; real estate loans are an additional 32%. And so pronounced has been the shift between business credit withdrawn, and deposits hugely grown, that the banks are now in the very unusual situation where their total “credit” outstanding of all kinds, is 5% less than their deposits alone, not even including their capital and reserves.

This unsavory situation is not, in fact, a story of the 5,000 U.S. banks as a whole, but rather of the half-dozen or so Wall Street “universal banking” giants which have two-thirds of all the deposits and assets in the entire banking system. These megabanks are 15% bigger yet again than they were a year ago, hold securities as far *more* than 30% of their assets, and recently have been making all their profits trading them. While their “commercial

bank” units are receiving this big deposit flow courtesy of the Fed, it is clear what kind of assets Wall Street is putting them into.

As their aversion to the Payroll Protection Program showed glaringly, these Wall Street giants are closing off the credit channel to America’s real economy, in the midst of economic crisis and mass unemployment. Even as *new* national credit institutions are established with a charter commitment to pursue the public purposes of the United States and general welfare of its people, these megabanks must be broken up by re-enacting and enforcing the Glass-Steagall Act. Not only are they positioned to waste new currency as it is issued for those purposes; they are a ticking time bomb, despite all their momentary liquidity, to crash in a securities/derivatives explosion and drag the economy completely into the pit.

U.S. POLITICAL AND ECONOMIC

Semiconductor Obsession: More Sanctions Mooted by DOD

Sept. 7 (EIRNS)—Reports by CNBC and the *Wall Street Journal* are that the Trump Administration, with sanctions already on Huawei and on U.S. or European firms using American “chip” technology to make chips for Huawei, may next impose export restrictions on one of Huawei’s major manufacturers in China, Semiconductor Manufacturing International Corporation (SMIC). It is China’s largest manufacturer of semiconductors. CNBC quotes a Defense Department spokesperson from Sept. 5: “DOD is currently working with the interagency in assessing available information to determine if SMIC’s actions warrant adding them to the Department of Commerce’s Entity List. Such an action would ensure that all exports to SMIC would undergo a more comprehensive review.” Imposing export controls on SMIC would affect U.S. companies that sell chip-making technology to China manufacturers.

The obsession with semiconductors as the essence of technological power is shared by think-tank experts on “industrial policy” and how the United States should have a robust one. At a CSIS forum on such “industrial policy” Sept. 3, Council on Competitiveness head Deborah

Wince-Smith said that “everything depends on the microelectronic space,” a new “surge” in technical advance. She admitted at the same time, “We’re in a very low productivity era” in industry generally—the era characterized by thorough concentration on communications and the microelectronic space! At the same forum Robert Atkinson of the Information Technology and Innovation Foundation said, “We’re producing 13% less real value added in manufacturing than in 2007. Correct for overestimation [i.e., overvaluation] in software, it’s 20%. Don’t be fooled by what the U.S. looked like 50 years ago.” This is also the plea of Senators Tom Cotton (R-AR) and Marco Rubio (R-FL), who have legislation for industrial subsidies focused on the chip-making industry.

Of course, “50 years ago,” when America established its lead in this area, its industrial policy was focused on space exploration and nuclear power technologies and researching fusion plasma and laser technologies, not just on telecommunications. The current semiconductor focus has a strong element of artificial intelligence as key to warfighting, military weapons, and systems, in intense competition with China. It may explain why advocates of a new U.S. “industrial policy,” in both political parties, are indifferent to NASA’s Artemis program, to the current dismal level of support to fusion power development, to magnetic levitation rail, etc.

Foreign Policy Laments Trump’s Non-Support for Coup in Belarus

Sept. 7 (EIRNS)—*Foreign Policy* magazine, owned by the *Washington Post*, features a lengthy lament of President Donald Trump’s failure to push for a coup in Belarus, in an article by Daniel Baer Sept. 3, titled, “The Belarusian People May Yet Achieve the End of the Lukashenko Era, But It Will Be in Spite of the United States.”

The last month in Belarus has been a “seismic political moment, replete with dramatic scenes recalling ... Prague in 1968,” Baer wrote. The Aug. 9 election was “flagrantly rigged,” since it resulted in incumbent Aleksandr Lukashenko declaring himself the winner. The U.S. reaction to what the neo-con *Foreign Policy* calls the “rigged election” and “resulting protests has been weak, but the U.S. diplomatic response even more disappointing,”

Baer complains. On Aug. 12, Secretary of State Mike Pompeo, clearly on a short leash by Trump, made what Baer called an “understated reaction” in a speech to the Czech Parliament, mentioning China and the Chinese Communist Party 20 times, but never mentioning Belarus. There has been no formal statement from the White House on Belarus. “Pompeo and Trump have been missing in action.”

Baer wanted Pompeo’s number two, Deputy Secretary of State Stephen Biegun, to give the opposition some traction, but clearly President Donald Trump, and a seemingly leashed Pompeo—at least on Belarus—were having none of it. Russian President Vladimir Putin brought in no troops, and made his own “tepid statement” according to *Foreign Policy*.

Baer admits that Putin may be prepared to stop another *Washington Post*-led color revolution. A week ago, Putin used an Aug. 30 birthday call to invite Lukashenko to Moscow.

Martin Sieff Publishes Timely Article on President McKinley’s Assassination

Sept. 7 (EIRNS)—Martin Sieff, former chief foreign correspondent for UPI, and a speaker at the Sept. 5-6 Schiller Institute Conference, published an article in *Strategic Culture* Sept. 6 on the anniversary of the assassination of President McKinley in 1901 by anarchist Leon Czolgosz, a follower of terrorist Emma Goldman, in Buffalo, New York, on Sept. 6, 1901. Sieff treated the assassination as “an earlier presidential coup” which resulted in years of British-controlled American administrations. The title of his article was: “[The Anarchist Assassination of U.S. President William McKinley and Its Links to the Murder of Tsar Alexander II.](#)”

He wrote, “Like Tsar Alexander, McKinley was no evil tyrant but a successful reformer who had decisively improved terrible living conditions for scores of millions of people. He restored the U.S. economy by reviving the ‘national system’ of previous presidents such as Abraham Lincoln and James Garfield (both also assassinated). He especially increased industrial tariffs to keep British and German industries from undermining the U.S.

industrial base with floods of subsidized and artificially supported ‘dumped’ exports.”

Sieff showed that Alexander Kropotkin, the best-known anarchist in America and a controller, along with the British-deployed Emma Goldman, of Czolgosz, made repeated visits to the small city of Buffalo in the months prior to McKinley’s trip on which he was killed. And that Theodore Roosevelt, who succeeded apparently by chance, having just been pushed into the Vice Presidency by Wall Street pressure, melded American policy in Europe, Africa, and Asia completely with British imperial objectives.

These events have been written about previously by *EIR*; but Sieff clearly implies that now the scenario may apply to another American President—the first since McKinley who has publicly talked about the American System of economy.

DNI Ratcliffe Blasts Democrats for Sending Misleading Classified Document to FBI

Sept. 7 (EIRNS)—U.S. Director of National Intelligence John Ratcliffe yesterday blasted Democrats for creating a misleading and incomplete “classified” document that Democratic Congressional leaders sent to FBI Director Christopher Wray to allow them to “warn” of possible foreign interference in U.S. elections in November.

House Speaker Nancy Pelosi replied, “In response to your specific questions, I can confirm that the IC (intelligence community) did not create the classified addendum to the 13 July letter, nor did we authorize its creation. The IC was not consulted prior to its creation and subsequent release to the entire membership of the House of Representatives.”

The addendum, however, was attached to a July 13, 2020 letter sent to the FBI Director by House Speaker Nancy Pelosi, Senate Minority Leader Chuck Schumer, House Intelligence Committee Chairman Adam Schiff, and Senate Intelligence Committee Vice Chairman Mark Warner—all Democratic leaders.

STRATEGIC WAR DANGER**Russians React to B-52 Flights over Ukraine**

Sept. 7 (EIRNS)—Russian Defense Minister Sergei Shoigu said on national TV yesterday that not only is the U.S. military sending more reconnaissance aircraft near Russia's borders, but it is also practicing for potential strikes on Russian territory. He noted a sharp uptick in foreign surveillance and training flights testing the country's borders and air defenses, reported RT. Last month, such activities increased by some 30% compared to August 2019.

Moreover, the NATO bloc's aircraft have been actively training to conduct air strikes, routinely performing mock missile launches on targets within the country, Shoigu revealed. The most alarming thing is that if earlier—even though not that frequently—there were mainly reconnaissance aircraft, they've now begun regular training flights with large numbers of planes, during which mock missile strikes are conducted.

More broadly there seems considerable discussion within Russian military circles about what last week's operation, involving B-52s flying over Ukraine in concert with intelligence-gathering aircraft flying over the Black Sea, actually indicated. BulgarianMilitary.com ran the translation from the Russian online newspaper *Vzglyad* with the headline "Ukraine Will Become a Springboard for a U.S. Nuclear Strike on Russia." It reports, "Experts are confident that the bombers in the Ukrainian sky not only studied the potential theater of military operations, but also practiced the tactics of an air attack."

Retired Lt. Gen. Alexander Luzan, a former Deputy Commander of the Air Defense Forces of the Ground Forces, and Doctor of Technical Sciences, recalled that the Pentagon, during the NATO campaign in Yugoslavia in 1999, worked out a new tactic of air attack, which was named "reconnaissance and strike combat groups." "They just assume paired approaches to the objects of reconnaissance aircraft and bombers," Luzan explained.

“The main purpose of the American B-52H Stratofortress bombers is to deliver nuclear strikes with cruise missiles. We regard the incident as a study by Washington of a potential theater of military operations,” Russian military expert Igor Korotchenko said. “In addition, we regard this flight as a hostile act by both the United States and Ukraine, which has opened its airspace for American bombers.” It is worth recalling that Ukraine, itself, does not have the Air Force as an organized force. Kiev is a vassal of Washington, and the Americans use the Ukrainian airspace to solve their own military tasks.

Korotchenko argues that the air defenses in southern Crimea must be strengthened. Luzan, while agreeing, does not believe that the B-52s that flew over Ukraine on Sept. 4 were practicing nuclear strikes, because there are no targets suitable for nuclear weapons in Crimea or southern Russia. The Kerch bridge, he believes, can be targeted with conventional precision guided weapons. The incident with the bombers, in Luzan’s opinion, should become that “call” that will lead to the creation of systems for active protection of Crimean facilities, and, first of all, the bridge over the Kerch Strait.

COLLAPSING WESTERN FINANCIAL SYSTEM

India’s Second-Quarter Collapse Was the Worst

Sept. 7 (EIRNS)—The Indian economy actually suffered the greatest contraction of any major nation in the second quarter, at least as measured by GDP. According to former Reserve Bank of India Governor Raghuram Rajan wrote on his LinkedIn page, reported Press Trust of India: “The 23.9% contraction in India (and the numbers will probably be worse when we get estimates of the damage in the informal sector) compares with a drop of 12.4% in Italy and 9.5% in the United States, two of the most COVID-19-affected advanced countries.”

SCIENCE AND INFRASTRUCTURE

China Test of Its Experimental Reusable Spacecraft a Success

Sept. 7 (EIRNS)—China’s experimental reusable unmanned spacecraft successfully completed a test flight Sept. 6, after orbiting Earth for two days, *South China Morning Post* reported. China’s Shenlong (Mandarin for “Divine Dragon”) spaceplane may be China’s response to the U.S. X-37B, which can be launched from beneath a plane, a military source told *SCMP*.

“There were many firsts in this launch,” the military source said. “The spacecraft is new; the launch method is also different.”

NASASpaceflight.com reported Sept. 4 that Shenlong was launched that day by a Long March 2G/T3 launch vehicle from Jiuquan Satellite Launch Center.

COVID-19 Vaccine Result Possible by Early to Mid-October

Sept. 7 (EIRNS) —Today National Public Radio (NPR) put out a vaccine coverage story entitled, “How Can You Tell if a COVID-19 Vaccine Is Working?” The coverage includes an interview with Holly Janes, a biostatistician at the Fred Hutchinson Cancer Research Center in Seattle. She stated that the trials currently underway are event-driven studies, and said, “An event-driven trial means that the primary analysis of the trial happens when you get enough events.” The article explains that by the term “events,” “Janes means laboratory-confirmed cases of COVID-19 disease. Janes says that the trial now underway aims to get at least 150 events among the trial participants.” That is, the trial is over when you get enough events.

How long should this take? The U.S. is currently identifying some 45,000 new cases daily, out of a national population of 331 million, which calculates to 1.36 new cases per 10,000 population per day. In a test cohort of 30,000, which is the aim of each of the Moderna and Pfizer studies, this would calculate to 4 new cases in 30,000 participants per day, or 120 per month if the vaccine were not effective, and 60 per month if it were 100% effective (all the “events” then being in the placebo group). If it were 60%

effective—which is good enough for FDA approval—then approximately 84 events per month would be expected. Moderna and Pfizer have been recruiting and vaccinating study participants since July 27. Moderna is now at or very near its target of 30,000 participants, and Pfizer reported they were at 23,000 participants as of Sept. 3.

There are other factors which would tend to increase the rate of “events.” First, Moderna is targeting high-risk populations, so their event rate should be considerably above the national average, in some populations more than 4 times the national average. Second, it is widely acknowledged that the actual rate of COVID-19 is significantly higher than the reported rate, due to lack of comprehensive testing of the population. The study participants are expected to be tested whether they are symptomatic or not, to be sure to pick up the non-symptomatic cases, so the event rate will be higher than the currently reported national rate, and much closer to the actual rate in the population. These numbers would imply approximately 150 “events” for Moderna by early October for a moderately effective vaccine, and for Pfizer by two weeks into October.

THE NEW GLOBAL ECONOMIC ORDER

Analysts Fix China 2019 Africa Investments at \$95 Billion

Sept. 7 (EIRNS)—While China does not make public its official figures on its overseas investments, Western analysts—motivated by geopolitical concerns—seem even more determined to discover them. On Sept. 1, financial news outlet Quartz posted its findings on China’s Africa investment. While not offering comparative numbers on Western investment, the numbers provided paint a significant picture.

“In 2019, Beijing pumped \$95 billion infrastructure into Africa, with more than 50% going to ports, shipping, and logistics projects,” Quartz writes in its weekly newsletter for Sept. 6. “Southern and east Africa play an important role accounting for nearly half of all projects.” The company has put together a presentation of 16 slides detailing the investments, only one of which it made available.

The Quartz authors' breakdown of China investments is as follows: Southern Africa—\$33.3 billion, 28%; Eastern Africa—30.5 billion, 21%; Western Africa—\$20.4 billion, 25%; Central Africa—\$12.2 billion, 18.8%; and Northern Africa—\$9.9 billion, 6.9%. In addition, China has set up 49 “cultural institutes” across the continent “to teach Mandarin and Chinese culture” (time frame not provided), in addition to having awarded 35,000 scholarships for study in China in 2018.

The country of Djibouti seems to be of particular concern to Quartz, that being the only nation on the continent where China has established a military base. Of course, the only comparable investments by the West would be in this military sphere, and although we live in an “open society,” those numbers are not likely to be revealed, and Quartz is not likely to spend the effort to discover them.

OTHER

Consortium News To Cover Assange Extradition Hearing Sessions Live This Week

Sept. 7 (EIRNS)—*Consortium News*, the first investigative news magazine based on the internet, announced today that it will follow the extradition hearing of [Julian Assange](#), which will begin today, and is expected to run three to four weeks in London's Old Bailey Court. Every day court is in session, *Consortium News* will be viewing it via video link, and will live-tweet news and commentary on the proceedings. At the conclusion of each day's testimony, *Consortium News* editor Joe Lauria will present a live recap and analysis of the day's events on the CN Live! YouTube channel, beginning at noon EDT and 5 p.m. in London. At its conclusion, the replay of each daily video report will be published on *Consortium News*.

On the dramatic opening day of the hearing, viewers learned that the U.S. prosecutors have shifted their espionage charge with a superseding indictment, which charges Assange with “conspiracy to commit computer intrusion.” The defense therefore immediately moved for more time to prepare a new defense, but this was denied by Judge Vanessa Baraitser.

The defense then had to present its first witness, Professor of Broadcast Journalism Mark Feldstein, to give his prepared testimony concerning—the charge of espionage!

Every weekend during the hearing, CN Live! will assemble a panel of experts to analyze the week's developments, including what is at stake beyond Assange's fate; what the prosecution and defense strategies might be; the weakness of the prosecution case; the political nature of the proceedings, and how the media has covered Assange.

Serbia-Kosovo Normalization Talks Move to Brussels

Sept. 7 (EIRNS)—Following the successful talks between Serbian President Aleksandar Vucic and Kosovo's Prime Minister Avdullah Hoti to normalize economic relations, the dialogue between the two leaders continued today in Brussels in talks that were hosted by EU High Representative for Foreign Affairs and Security Policy Josep Borrell and EU Special Representative for Belgrade-Pristina Dialogue Miroslav Lajčák. Prior to the bilateral talks, Vucic met with Lajčák and the U.S. Secretary of State's Special Envoy for the Western Balkans Matthew Palmer.

Afterward Vucic told the press that the talks were not “easy” but that nonetheless he was “not unsatisfied” that there was agreement on the issue of missing persons, internally displaced persons, and economic issues. The issue of Serbian municipalities and negotiations will be continued by the heads of negotiating teams on Sept. 17, while another high-level meeting will be held in Brussels on the 28th. In the follow-up talks, the topic of property and financial demands between the two sides will be coming to the table. Vucic said Pristina will pass a law on the return of displaced persons as requested by the Serbian side. There was also an agreement on abolishing all barriers and enabling the free movement of goods, people, services, and capital. Vucic stressed that this would create a common labor and goods market and that it would contribute to progress for the entire region.

After signing the agreement in Washington on Sept. 4, Vucic informed Russian Foreign Minister Sergey Lavrov about the results in a telephone

conversation yesterday. For his part the Russian Foreign Minister said, “In the context of coordinating their approaches on the Kosovo problem, the Russian side stressed that Russia stays committed to its position in favor of lasting and sustainable settlement on the basis of United Nations Security Council Resolution 1244.”

The successful talks in Washington and the follow-up talks in Brussels have brought both sides to the negotiating talks and forestalled what could have been a dangerous situation.

- Watch the [Morning Briefing with Harley Schlanger](#) on Tuesday, September 8: Every weekday morning Harley will brief you on what you need to know to start your day. Subscribe to the LaRouchePAC YouTube channel and hit the notifications button to be notified when Harley’s briefings are posted. Or you can listen to the audio file on [SoundCloud](#).