

EIR Daily Alert Service

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EDITORIAL

The Financial System Is Rotten-Ripe To Be Completely Replaced

April 13 (EIRNS)—Financiers whose assets are being bailed out by central banks worldwide, know that mass death threatens those being made to bail them out. Look at the investment article today by the “formidable Wall Street figure” and Davos man Scott Miner, billionaire CEO of Guggenheim Investments, who told his clients COVID-19 is going to devastate the developing countries—which he calls, in the customary contemptuous finance-speak, “emerging markets” or just “EMs.”

“The emerging markets soon will be hit very hard by the global pandemic,” Miner wrote. “The pandemic will be followed by goods and

food shortages, and social unrest. Before the virus hit them directly, EM countries had already been adversely affected by falling commodity prices and the economic impact of the shutdown in China and other parts of the developed world. Most EM countries have very weak healthcare systems, nowhere near enough hospital beds and respirators, crowded cities and slums, and large numbers of workers in the economy who are paid daily wages or work in the informal economy and can't work remotely. For many EM countries, this pandemic will quickly escalate from a health crisis to a humanitarian crisis, and ultimately to a solvency crisis. Political stability will be the last domino to fall.”

And MinerD goes on from there to advise clients on the relevant investments! The threat of very large numbers of people dying in the developing countries is real for those people—and for us. But for Wall Street and the City of London-centered banks: They're getting bailed out, from an admitted, complete collapse of the monetary system they have played for 50 years. The Federal Reserve is printing \$5 trillion so far, under the aegis “unlimited,” to purchase bad assets from and lend money to speculative financial firms, while offering one-third that in loans to municipalities and other businesses.

Another author today, Jonathan Tepper, CIO of Prevatt Capital, stated frankly in the *Financial Times* of London: “Lending to potentially insolvent companies is bad enough, but buying corporate bonds and ETFs in the secondary market is of questionable legality under Section 13 of the Federal Reserve Act.... It also does nothing to help fund the economy, and merely helps the returns of investors who have already bought corporate bonds. It is a paradise for speculators.

“The obvious beneficiaries of the junk bond-buying program are overleveraged private equity groups and unhealthy borrowers. This is not surprising. [Fed Chairman Jerome] Mr. Powell spent years at Carlyle, the private equity giant.”

Meanwhile Americans under unprecedented mass unemployment get \$1,200 each. They get to postpone their mortgage and tax payments but

must make a balloon payment later—while Capital One bank is told by regulators it simply need not pay a \$1 billion margin call on its derivatives losses at all. The injustice for the “EMs” is also in force for the American and European populations, where minority citizens with generally poorer lifetime healthcare, and the elderly, fill 80-90% or more of the death rolls.

The floating-exchange-rate, casino monetary system of the past half-century, which has produced flagrant wealth, real wage losses and poverty, and widespread Malthusian views of human life, is now a wreck. But the central banks led by the Fed insist they’ll repair it. “We can prevent deflation!” Fed Vice-Chair Richard Clarida swore today. If they do, it will be with a deadly hyperinflationary explosion.

This rotten-ripe system must be replaced completely by a new credit system of the leading technological powers acting in concert, beginning by building a world health system which can prevent mass death in the developing countries. This new system will be presaged by the international conference of the Schiller Institute to be held online April 25-26.

- Watch the [Morning Briefing with Harley Schlanger](#) on Tuesday, April 14: 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](#).

COLLAPSING WESTERN FINANCIAL SYSTEM

Wall Street Won’t Even Make Federally Guaranteed Business Loans

April 13 (EIRNS)—President Donald Trump should take a close look at what he called “the brilliant minds on Wall Street” who were going to use the CARES Act to save American businesses. The big Wall Street banks—unlike the American community banks—are refusing to make loans to small businesses hit by the coronavirus economic crisis, even though those

loans are guaranteed by the Treasury and are going to be 95% bought by the Federal Reserve.

The approval percentage for small business loan applications at big banks (those with more than \$100 billion in assets) dropped sharply from 28.3% in February—already low enough—to just 15.4% in March. The approval rate by credit unions was 23.2% in March (also a significant drop), and by community banks, 38.9%. This from Biz2Credit Small Business Lending Index, whose CEO, Rohit Ahora, called the Wall Street banks' performance "a stunning decline." He continued, "We have already seen that community banks made such a strong showing on the first day of the CARES Act PPP [Payroll Protection Program] lending program, while some big banks ... have already reached their self-imposed lending limits."

According to *American Banker* Monday, community banks are working with the Federal Reserve to keep lending beyond their limits, which many reached in the first two days of applications. They are paying 0.35% to the Fed to assume the loan, on which they are charging 1%; but in addition, the Fed is exempting these small business loans from the banks' Tier 1 capital requirement.

Wall Street is different. Bank of America is making small business loans only to its pre-existing borrowers, thus effectively replacing their uninsured loans with Federally guaranteed loans. It won't even lend to small business depositors at BOA that haven't borrowed from it, giving its game away. All the big banks say they're "still trying to figure out" how they will make the small business loans, trying to get the Fed to take 100%, not 95%, of the loan. And, of course, Wall Street's bank traders are front-running the Fed's purchases of everything from junk bonds to bond ETFs on stock markets—so much more money to be made that way.

***Washington Post* Op-Ed on Take-Down of U.S. Hospitals**

April 13 (EIRNS)—An op-ed in the Sunday edition of *Washington Post* by Andreas Flynn, the director of health equity at the Roosevelt Institute, and Ron Knox, a senior research at the Institute for Local Self-Reliance, points to the take-down of the country's rural hospitals and the extensive hospital

mergers during the last few decades as responsible for the serious predicament the country is in with the outbreak of the coronavirus.

“America’s now-disastrous lack of hospital capacity is no accident,” they admonish. “It is, in part, a result of consolidation over the past 30 years that concentrated our health-care system in wealthy cities and suburbs, where the prevalence of expensive insurance plans allowed big health systems to rake in profits. There have been more than 680 hospital mergers over the past decade, a trend that is likely to accelerate in the coming years. It involves mergers between hospital systems, as well as large hospital conglomerates’ takeovers of rural hospitals, physicians’ offices, ambulatory surgical centers and other outpatient clinics.”

The authors observe that there are about 15% fewer community hospitals in the U.S. than there were in the mid-1970s and 120 rural hospitals have been shuttered over the past decade. Mergers and closures have contributed to the reduction in hospital beds in the United States, from around 1.5 million in 1975 to just more than 900,000 in 2017. And the Affordable Care Act increased the pace of consolidations, they say. “Recent studies have shown that even before COVID-19 began to strain rural health systems, 1 out of every 5 rural hospitals was at risk of closing because of financial pressure. Part of the pressure comes from sicker patient populations that are more likely to rely on Medicare and Medicaid, which have lower reimbursement rates than private insurance does. That has made for an underlying health crisis upon which the COVID-19 pandemic is now layered.”

The authors call for broad public investments in the hospital system, health being a public good. “Hospitals should not be run according to corporate-style efficiencies, operating at near-full capacity to satisfy investors. Rather, hospitals should ensure that they have the capacity to care for their communities should the worst occur.”

U.S. POLITICAL AND ECONOMIC

What Is Involved in Contact Tracing

April 13 (EIRNS)—While much is made in financial media over whether Amazon really has, or is going to, hire 75,000 or 100,000 more employees, there is a more crucial task for which three or four times that many new hires may be needed from among primarily young people, and no agency is preparing for it. The coronavirus pandemic has still not passed the stage of mitigation and treatment anywhere other than in South Korea and China. But to really bring it under control, an army of contact tracers will be needed which former Centers for Disease Control and Prevention (CDC) Director Thomas Frieden estimated at 300,000 for the United States alone, in comments to medical publication *STAT*, published April 13. And this work will have to be done in virtually every country in the world.

Not all professional estimates are that high; but one very experienced group in the field, Boston-based Partners in Health, is training what will be at least a 1,000-person force for COVID-19 contract tracing in Massachusetts, which has one-fiftieth of the American population and a low rate of infection thus far. The head of the National Coalition of STD Directors, which traces contacts on sexually transmitted disease cases, volunteered its workforce, but said it has shrunk in 20 years from 5,000-6,000 to just 1,600—part of the overall starvation of public health systems. Most states contacted by *STAT* had not begun thinking about contact tracing.

Frieden commented: “We are going to have to handle it with an extreme amount of effort. I think of it as four key actions: test, isolate the infected, contact trace, and then follow up the contacts. And each of those four things needs to be going really, really well and at a massive scale.” He went on: “We are going to have to be able to test every patient with pneumonia in the country within minutes or hours. The concept is once you get down to a manageable number of cases and scale up the public health system, then you will be able to pounce on any case or cluster to proactively identify cases, identify contacts, and follow up on those contacts. And

when you get those things done, you can prevent the clusters from becoming outbreaks, prevent outbreaks from becoming epidemics, and prevent the epidemics from driving us into our homes again.” Otherwise, “It will come back.”

THE NEW GLOBAL ECONOMIC ORDER

European Parliament Member Urges the Need for a New Bretton Woods Monetary System

April 13 (EIRNS)—Member of the European Parliament Antonio Maria Rinaldi (Italy-Lega), a friend of the Schiller Institute, made the case for a New Bretton Woods monetary system in an interview published April 11 in the British daily *Express*, under the headline, “Coronavirus Action Plan: How NEW Bretton Woods Could Be Key To Restoring Economy” (emphasis in original).

“The current system is destined to fail,” Rinaldi told the Daily. “We need a New Bretton Woods and to define a new system of monetary management. The current one does not work. The first stress test, coronavirus, has proved it is completely ineffective.”

Express also interviewed former Labour minister Gisela Stuart, who, claims Marina Bet “echoed” Rinaldi’s analysis, saying, “A new Bretton Woods is similar to what Gordon Brown is proposing,” and she proceeds to denounce the “post-World War II institutions,” demonstrating that any “new Bretton Woods” by Gordon Brown—Tony Blair’s Chancellor of the Exchequer and later Prime Minister—can bear no resemblance to Franklin Roosevelt’s original or Lyndon LaRouche’s proposal.

Stuart, herself, was Blair’s representative to the EU at the time the Brussels bureaucracy was crafting the hideous “Constitution”—which ultimately was imposed as the Lisbon Treaty—which she opposed, and became the leading Labour Party member to back the “Brexit.” In 2004, she backed the reelection of George W. Bush against Democrat John Kerry, and is a signatory of the Henry Jackson Society principles. In 2015, she

was named to the Queen’s Privy Council, giving her the lifetime title of “Right Honourable.”

Calls for African Debt Relief Facing Strong Headwinds

April 13 (EIRNS)—Efforts for a write-off of Africa’s continental debt began in mid-March, when Ethiopian Prime Minister Abiy Ahmed asked lenders to write off all interest payments for government loans.

“Ethiopia proposes part of the debt of low-income countries should be written off,” Abiy said. “We suggest the remaining debt be converted into long-term low-interest loans with a 10-year grace period before payment.”

On April 3, the African Union—now under the direction of South African President Cyril Ramaphosa—executive bureau held a meeting on the issue, “reiterating the need for rapid and concrete support as pledged” by the G20, and further urging the World Bank and the International Monetary Fund to “review their current disbursement policies,” in light of the current crisis. “The [AU] also echoed the call for a comprehensive stimulus package for Africa, including deferred payments, the immediate suspension of interest payments on Africa’s external public and private debt in order to create fiscal space for COVID-19 response measures.”

The only global media reporting on that call was Hong Kong’s *South China Morning Post* on April 3, writing that “African countries ... have called for \$100 billion in bailouts and debt relief,” of which \$44 billion would be a straight write-off. Reporting that the World Bank calculates that Africa’s total indebtedness at \$584.3 billion, of which China is the largest holder with over \$100 billion, *SCMP* states that China has already written off debt worth over \$100 million, in addition to rescheduling Ethiopia’s \$3.3 billion loan for the Grand Ethiopian Renaissance Dam from 10 to 30 years.

Since April 1, French President Emmanuel Macron has gotten involved with the effort, after a discussion with Ethiopian Prime Minister Abiy Ahmed. Now in touch with AU President Ramaphosa, the two are “approaching the IMF, the World Bank, other international banks and

national governments to support the plan, which includes considerable health support as well as debt relief and concessional loans,” according the South African Daily Maverick news site.

On April 9, a separate call was issued from eight African financial notables, “Africa Needs Debt Relief To Fight COVID-19.” They were led by two scholars at the Brookings Institution, Ngozi Okonjo-Iweala, a former finance minister of Nigeria and Chairman of the Global Alliance Vaccines and Immunization (GAVI); and Brahim Coulibaly, a senior fellow and Director of the Africa Growth Initiative at Brookings.

Declaring that the UN had recently warned that Africa’s assistance needs could rise to \$200 billion, the group urges immediately “a two-year standstill on all external-debt repayments, both interest and principal,” during which “the G20 should task the IMF and World Bank with undertaking a comprehensive debt-sustainability assessment and considering further debt restructuring.”

The involvement of former Crédit Suisse CEO Tidjane Thiam in the effort even got the attention of the London’s *Financial Times*, where Thiam is quick to point out that their call is for a “standstill,” *not* for a blanket “moratorium.”

German Foreign Minister Admits That the Troika or ‘Tough Austerity Measures’ Are Torture Tools

April 13 (EIRNS)—The following short article is by Leonidas Chrysanthopoulos, Ambassador *ad honorem* of Greece and member of the Schiller Institute, again calling for the suspension of Greece’s debt payments as the just response to the coronavirus crisis:

From the official website of the German Foreign Office we read the following excerpt of an interview of Foreign Minister Heiko Maas with *Der Spiegel* [posted April 10]: “In this crisis we need rapid help without torture tools such as the Troika or tough austerity measures....” We cannot condemn this statement because the German Minister is saying the truth, a truth that the majority of Greeks have felt. However, it is the first time that

a German minister has characterized the Troika and tough austerity measures as tools of torture, tools that for ten years have tortured the people of Greece, tools that were accepted by Greek governments.

It was the tough austerity measures that resulted in the collapse of Greece's health system by reducing about 42.5% of the budget that went for health care, that increased unemployment to 28% and youth unemployment to 60%, increased the yearly deaths from 70,000 to 124,000, and forced about 800,000 Greeks to leave their tortured country to find work abroad, mainly in other EU countries. Mistakes were made in imposing these measures upon the people of Greece, mistakes acknowledged even by the Troika and the IMF. The former President of the Eurogroup Jeroen Dijsselbloem, in an interview he gave to the Greek newspaper *Ta Nea* published on Aug. 27, 2018, admitted that mistakes were made by the Europeans in handling the Greek crisis, saying that initially they experimented and it took four years for them to stand on their feet and set up mechanisms to confront the crisis. He conceded that a different policy should have been implemented in Greece, as the bailout programs were very strict and their implementation very difficult. More open was the former member of the European Union Commission Pierre Moscovici who mentioned the following on his blog dated Aug. 20, 2018: "Yet mistakes were also made—in Athens, Brussels, Berlin and Washington—unnecessarily prolonging the crisis. We also underestimated the disastrous state that Greece was in when this started. What appeared to be a single budgetary crisis was, in reality a deep crisis of the Greek state and economy. So deep it took several years even to properly assess it. As a result the design of the three consecutive financial assistance programs was imperfect.... The financial expertise of the IMF was initially necessary and had been useful; but certain positions were too brutal and personal, antagonized relations with the Greeks, and even led the Eurogroup to adopt reforms that, in my opinion, were too harsh, particularly those on pensions due to kick in in 2019. Eight years of crisis is far too long. Politicians bear some responsibility and I will accept my share.... It must be recognized that

the methods used were sometimes intrusive and that these officials had a major influence on the process....”

And of course even the official reason that the memorandum programs were imposed on Greece, which was the reduction of the public debt from 120% of GDP in 2010 failed, having reached today 185% of GDP.

The Maas statement of torture tools can facilitate the Greek government in announcing a cessation of the yearly payment of the memorandum obligations so that these funds be used to support the population of Greece during the coronavirus crisis.

We thank you Minister Maas for your honesty.

SCIENCE AND INFRASTRUCTURE

Putin and Trump Hold Third Phone Call, U.S.-Russian Space Group Formed

April 13 (EIRNS)—Russian President Vladimir Putin and U.S. President Donald Trump on April 12 held their third phone call since last Thursday, April 9. The two leaders focused on oil production cuts and strategic stability issues. As a follow-up to one of the earlier phone calls, Russia and the United States have established a space working group at the ministerial or experts level.

“Vladimir Putin had a separate telephone conversation with Donald Trump. The two leaders exchanged views on the situation on the oil markets. They once again stressed the major importance of the OPEC+ deal on oil production cuts. They also discussed current issues of strategic stability,” the Kremlin press statement on April 12 said, reported TASS. Earlier, President Putin participated in phone calls on April 9 and again on April 12 with President Trump and Saudi King Salman bin Abdulaziz Al Saud.

On the issue of space cooperation, Russian Deputy Foreign Minister Sergei Ryabkov told *Kommersant* daily, “The Russian side has handed in its proposals on the essence of this work to the U.S. side and now expects

the response.” Previous to his remark to *Kommersant*, U.S. Assistant Secretary of State for International Security and Non-Proliferation Christopher Ford, with whom Ryabkov had met in January, announced the agreement.

Xinhua’s April 11 coverage reported on Russian President Putin’s remarks that day, after attending an online meeting on rocket and space sector development on April 10. At that meeting, President Putin said that Russia should maintain its leading position in manned spaceflight: “The development of the manned flight programs is among the indisputable priorities,” Putin said. He further said that manned flights were, traditionally, a strong point of Russian cosmonautics. The infrastructure for heavy-class and super-heavy-class rocket systems, flight tests for which are scheduled for 2023 and 2028 respectively, should be ready in a timely manner at the Vostochny Cosmodrome in Russia’s Far East, Putin said.

He also urged space sector officials to actively use the opportunities and mechanisms of public-private partnership.

STRATEGIC WAR DANGER

Pentagon’s Fixation on China Is Insane

April 13 (EIRNS)—The fact that the crisis aboard the aircraft carrier *USS Theodore Roosevelt* is directly related to the U.S. geopolitical confrontation against China, was identified in a commentary, entitled “The *Theodore Roosevelt* Fiasco Shows How Paranoid the Pentagon Is about China,” posted in the military blog Task & Purpose over the weekend.

“Last week, this reporter thought the Navy was the most dysfunctional service on the planet, but the past seven days has shown that the Navy’s latest meltdown just reflects a wider insanity that has infected the entire U.S. military,” wrote Jeff Schogol, the Pentagon correspondent for Task & Purpose. “To wit: When it comes to China, every uniformed and civilian leader in the United States is completely paranoid.

“The Pentagon is fixated on China as an existential threat to American security. They worry that if the U.S. military retreats anywhere in the world, China will come rolling in like a sea to drown U.S. influence in former allies, such as the Philippines.” Schogol likens this to the domino theory of the 1960s that was used to justify the U.S. war in Vietnam.

Schogol goes on to tear up the speech that then-Acting Secretary of the Navy Thomas Modly made aboard the carrier on April 6, stating that what Modly was really incensed about was assertion made by Capt. Brett Crozier, the ship’s commanding officer, that America is not at war, in a memo seeking to take action to protect the sailors who were becoming infected with coronavirus. Crozier also, though not discounting the possibility of war with China, had ridiculed the repeated notions that China is a military threat to the U.S.

“Still, the U.S. military seems hell bent on taking insane risks to show China that it can throw down anytime and anywhere,” Schogol writes, pointing to Chairman of the Joint Chiefs of Staff Gen. Mark Milley’s insane comment last week that the *Theodore Roosevelt* could go “right back out to sea if needed.” A few days after Milley made that statement, the guided missile destroyer *USS Barry* transited the Strait of Taiwan as People’s Liberation Army ships and aircraft were exercising to the south and west of the island.

“Even under wartime conditions, sending the *Theodore Roosevelt* on a combat deployment right now would be insane, but the Pentagon and the Navy have lost all sense of proportion when it comes to the threat China poses,” Schogol says.