

## EIR Daily Alert Service

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## EDITORIAL

### **Central Banks' Tens of Printed Trillions Have Led to an Inflationary Collapse**

Oct. 18 (EIRNS)—For a decade after the 2008 global financial crash, the major central banks wrung their hands that they could not “stimulate inflation” anywhere near 2%. Now since their “regime change” decision at the August 2019 Jackson Hole, Wyoming bankers’ conference, they have

shocked even themselves by setting loose an inflationary storm which has, as it has blown across the world, dramatically increased inequality, unemployment and poverty in the developing countries. London and Wall Street have blamed this on the COVID pandemic to try to motivate a “Great Reset,” the so-called Green New Deal. But they have caused it, since the September 2019 “repo crisis,” by taking the vast oceans of new electronic reserves the central banks have created for them and turning them into pure speculation.

If an accounting published today by the [Visual Capitalist](#) blog, based on bank statistics, is accurate, it is a veritable picture of central bank hyperinflation. It finds that total, worldwide household wealth fell during 2020, but by mid-2021 it was 7.5% *higher* than mid-2019, at about \$420 trillion total, or up about \$30 trillion from 2019. That \$30 trillion is right in the ballpark of the estimated total “QE,” the money-printing by major central banks in the trans-Atlantic region, Japan, Korea, and the large-scale new government borrowing for “COVID relief” by the United States Treasury. \$22 trillion of that \$30 trillion newly-printed wealth is in North American and European households—if you can call trusts and tax shelters “households”—the rest in China and Asia. In India household wealth in the same period *fell* by \$600 billion; in South America by \$1.2 trillion. A full 45% of that global “household” wealth is now owned by the 1.1% of wealthiest “households.”

The “wealth” grew where the central banks created massive new reserves and the big banks converted them into speculative loans, not elsewhere.

That concentrated wealth is the effect of a hyperinflationary central bank money-printing policy; but it would not be setting off storms of inflation without the simultaneous absence of productive investment, new productive employment, in the “advanced” economies, and indeed the *destruction* of economic productivity by “the great leap backward,” the Green New Deal. *EIR*’s warning report of February 2021, called *The Great Leap Backward*, fully described what has happened since. *EIR*’s has

warned since mid-2020 about the return of “Schachtian” fascist economics, which combines massive money issuance with technological regression and cannibalization of labor. The warnings were based on those of Lyndon LaRouche 50 years ago.

In fact, we should think of “the Great Inflation” of the 1970s, as LaRouche alone described it *in August 1971*. Then the highly productive economic relationships of the Bretton Woods monetary system were destroyed by Nixon’s forced blunder removing the dollar from its gold reserve, and were replaced by massive international speculation. The eurodollars and petrodollars of that new global debt speculation were created by the City of London banks themselves, then joined by Wall Street! And the printing of these dollars of international debt was arranged to be backed by the revenues of oil producers—as if magically, there followed hyperinflation of oil and other fossil fuel prices.

LaRouche explained years later, “Now, that meant that the dollar was now in jeopardy. Then, you had the oil crisis of the 1970s. Now, there was no shortage of oil, except an artificial one. Every tanker in the world was sitting off the U.S. coast ready to deliver oil, and couldn’t get it delivered....

“Before that event, the spot market, based in Amsterdam, had been a very minor part of the world petroleum marketing. Now, suddenly, the British—who are the key factors in this thing—made a new arrangement with the King of Saudi Arabia. And the organization, which is called today the BAE, was set up as a Saudi-British secret intelligence-military operation. So ... there was out of this, an agreement under which the Saudis did a corrupt operation with the British intelligence services, using the spot market. So vast amounts of unrecorded money and profits were deposited to the British BAE and related services....

“The effect of this was to make the dollar, which was still being used, no longer really a U.S. dollar internationally. It became an Anglo-American dollar, a ‘petrodollar.’ ”

That explanation was given to an audience in Rome in July 2008. A year earlier LaRouche had already told an international webcast on July 25,

2007, that the collapse of the post-Bretton Woods financial system could not be stopped or postponed; it was imminent—as became obvious to all in September 2008.

- Watch [Harley's Updates](#) with Harley Schlanger on Tuesday October 19, 2021: Every weekday morning on [The LaRouche Organization](#) website, Harley will give you the strategic briefing you need to start your day.

## AFGHANISTAN

### Two Big Conferences Are Upcoming on Afghanistan

Oct. 18 (EIRNS)—The Moscow Format conference Oct. 20 involves Russia, Afghanistan, China, Pakistan, Iran, India, Kazakhstan, Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan—and America has been invited. On Oct. 27 Iran is hosting a neighbors' conference. According to Al Jazeera: "Iran's foreign ministry spokesman Saeed Khatibzadeh announced that in addition to Iran and Russia, the meeting will be attended by China, Pakistan, Tajikistan, Uzbekistan and Turkmenistan, who all have land borders with Afghanistan."

### Without Foreign Aid, Afghanistan's Road Construction Projects Doomed To Fail

PARIS, Oct. 18 (EIRNS)—An article published today by [Deutsche Welle](#) (DW) reports that the Taliban want to start fixing Afghanistan's crumbling roads, but work cannot move forward without the now-suspended foreign aid payments that had kept former projects afloat.

One day after U.S. forces left Afghanistan in August, Taliban official Inamullah Samangani said in a speech that the war was over and that the Taliban would now focus on rebuilding Afghanistan's economy. "Since then, the Taliban have announced several road construction projects. These include the route from Kabul to Maidan Shahr, the capital of nearby Wardak Province, in Gardez, the capital of Paktia to the east, and projects in the eastern provinces of Kunar and Logar.

“However, a repaving project of the road over the Salang Pass 120 kilometers (75 miles) north of Kabul is especially important. The route connects Kabul, and by extension, all of southern and eastern Afghanistan, with the northern parts of the country. The road over the pass has fallen into serious disrepair. In September, the Taliban marked the start of roadwork at the Salang Pass with a televised ceremony. Taliban officials gave speeches and underscored how they will make good on their promises and bring progress and prosperity. ... The work at Salang Pass is set to repair, for a total cost of \$660,000, some 30 km of road, comprising two stretches of 15 km on each side of the pass, said Mohammad Ashraf Haqshinas, the Taliban spokesman for Afghanistan’s Ministry of Public Works.”

But, DW explains, given that the Taliban appointed “people on terrorist black lists to key positions in their new government, most international aid to Afghanistan is currently suspended, despite international pledges to continue supporting the country’s economy. Additionally, the Afghan government’s accounts have been frozen, and the Taliban’s financial resources are limited.” Bilal Tawab Construction Company, contracted by the former government to repair the road, told DW its machinery sits by the roadside: “The reason for this is that the suspension of U.S. funding led to lack of funds in the new Afghan government,” a company representative told DW. He estimated that almost 90% of all road construction projects in Afghanistan are facing the same fate.

Taliban officials in Watapoor District in eastern Afghanistan’s Kunar province showed DW a printed-out scheme for plans to rebuild roads in several villages. The Taliban governor’s office in Kunar even tweeted [photos of work](#) being done on a road. A young Taliban member said that the situation gets worse every day. “I don’t say that the Emirate can’t resolve the situation,” he said, referring to the Taliban’s Islamic Emirate of Afghanistan. “But without money you can’t build anything.”

**GREEN NEW DEAL****One Big Inflation Lie Is Deflated, Another Told, by European Commission**

Oct. 18 (EIRNS)—European Commission Vice President [Frans Timmermans](#) acknowledged on Oct. 15 that there has been no manipulation of the European natural gas market by Russia, no “starving” on Vladimir Putin’s orders driving up natural gas prices in the Amsterdam hub or elsewhere. “Russia is fulfilling its gas supply contracts,” Timmermans said. “We have no reason to believe it is putting pressure on the market or manipulating it.”

Since he was speaking to Bulgarian TV and the big British and West European media had no interest in correcting the idea they had been giving out, Timmermans’ statement got little coverage. U.S. and U.K. financial press had started this, with the likes of CNBC’s [“The U.S. Was Right—Europe Has Become a ‘Hostage’ to Russia over Energy, Analysts Warn”](#) back on Oct. 7. [Vladimir Putin](#) himself answered it with the truth, on Oct. 13, at the “Russian Energy Week International Forum” explaining that a fall in output from wind farms had caused electricity prices to shoot up, having a knock-on effect on demand for gas. “The rise in gas prices in Europe was the result of a shortage of electricity, and not vice versa,” Putin replied said then, and accused Western leaders of “trying to cover up their own mistakes”—with wind and solar—by claiming Russia is withholding supplies. He further remarked that “proper analysis of the situation is often replaced by empty political slogans.” None too ironically, the Russian President was responding to questions from the moderator, CNBC anchor Hadley Gamble, whose badgering was based on the Oct. 7 “Analysts Warn” article!

Timmermans unfortunately followed up his debunking of one major lie, by telling another: “The demand for gas at the global level is huge, including there” (meaning, in Russia). In fact, according to U.S. Energy Information Agency data through August published Sept. 30, the consumption of natural gas in the United States and most major European

economies is running at the 2020 level, 5-6% lower than in 2019. As *EIR* reported Oct. 12, the same is true for global coal consumption.

Again, Putin is right: The Green New Deal is the proximate cause of the fossil fuel price explosions.

## COLLAPSING WESTERN FINANCIAL SYSTEM

### IMF, ILO Reports Have Low-Income Countries Being Pushed Down

Oct. 18 (EIRNS)—The IMF's *World Economic Outlook* report for October 2021 is characterized by its authors as showing “a dangerous divergence in economic prospects across countries.” This refers to the forecast growth for low-income countries in 2021 being reduced by a full percentage point from the IMF's forecast last year, to 3.0%.

One telling indication is the outrageous fact that indebtedness of the 46 least developed countries increased by 12% during the pandemic thus far, despite all the UN- and IMF-sponsored meetings for “debt forgiveness initiatives.”

The country growth forecasts themselves are unimportant; since the report is trying to estimate “growth” in 2021 on the basis of collapse in 2020, the resulting forecast “growth” levels are quite meaningless. What is ominous is the summary statement in the report's introduction—although stated in deep globalist slang—“Emerging and developing economies, faced with tighter financing conditions and a greater risk of de-anchoring inflation expectations, are withdrawing policy support more quickly despite larger shortfalls in output. Overall, risks to economic prospects have increased, and policy trade-offs have become more complex.” In other words, many low-income countries' economies are collapsing or threatened with collapse; the IMF expects some of them to be “saved” in 2022 only because they specialize in exporting goods whose prices are rapidly inflating.

The report urged central banks to be “very, very vigilant” against signs that inflation is not going to be transitory, and to be ready to raise interest rates in response.

A new issue of the semiannual employment report of the International Labor Organization (ILO) says the number of unemployed workers around the world grew by 144 million in 2020, and that loss has persisted through 2021 as well, with unemployment remaining higher by 140 million at the end of the second quarter of this year. This corresponds roughly to a jump in the global unemployment rate by 4.5%, with no reversal in sight.

The worldwide loss in labor income resulting from the employment is estimated by the ILO as \$3.7 trillion in 2020, an 8.3% drop in income from 2019. That income drop moderated only slightly in the 2021. Some 110 million more workers are officially in poverty around the world than were in 2019.

New, productive employment, created through building modern health systems to fight the pandemic, could have replaced the large number of largely unproductive “informal sector” work which was lost. At its worst in mid-2020 that loss reached 500 million jobs.

### **Hyperinflation Already There, for Majority of Population**

Oct. 18 (EIRNS)—The average inflation figures published do not really give a picture of the disproportionate development of prices for energy and food items—that is, where they affect the population most. In Germany, the average inflation rate for September year-on-year is 4.9%, but energy prices, such as gas for heating, and gasoline, have undergone an increase by 14.3%. Prices for vegetables and fruits have had even higher increases: tomatoes are up more than 34%; eggplants, 50%; carrots, 40%; milk, 12%; dairy products even higher; eggs about 20%. For a low-income household to afford a decent, minimal standard of living is becoming impossible, with energy and food bills requiring several hundred euros more this coming winter. It is telling that in spite of the reported relatively low inflation rate, German mainstream media constantly report alarmingly high price rises for energy and food.

## UNITED STATES POLITICAL AND ECONOMIC

### Bad Forecast for U.S., China Energy Prices This Winter

Oct. 18 (EIRNS)—The U.S. Labor Department reported Oct. 14 that inflation of producer prices in September was officially 8.7% from September 2020, and that price inflation was even higher for producer goods “for intermediate demand”—meaning capital goods or commodities used in processing before final assembly for the retail market. That signals inflationary pressure continuing to increase in the chains of production.

For example, the Energy Department advised the same day that American households using natural gas for heat will pay this winter—if it is not particularly cold—30% more for it than in 2020; those that have electric heat will pay 6% more, and the roughly 10% of households that heat with fuel oil or propane will pay 45-55% more than a year ago.

In China, where producer price inflation as of Sept. 30 was reported on Oct. 15, it was up 10.7% from a year earlier, an even larger jump than in the U.S. economy. And in October thus far, the price rise in coal has accelerated further, by 20% in just the two weeks since the government ordered energy firms to “secure supplies at all costs.”

## STRATEGIC WAR DANGER

### Foreign Minister Lavrov Announces Shutdown of Russian Mission to NATO

Oct. 18 (EIRNS)—Russian Foreign Minister Sergey Lavrov announced this morning that the Russian Mission to NATO would be shutting down within two weeks, and that the NATO Information Office in Moscow would, as a consequence, be closed. In a statement on the Foreign Ministry website, Lavrov described the hostile NATO actions, and declared: “In the absence of the necessary conditions for conducting diplomatic activities, due to NATO’s deliberate steps, the functioning of the Russian Permanent Mission to NATO, including its chief military representative, shall be suspended....”

“The activities of the NATO Military Liaison Mission Moscow shall be suspended. The accreditation of its employees shall be withdrawn on November 1, 2021;

“The NATO Information Office at the Embassy of the Kingdom of Belgium in Moscow shall be closed down.”

“The NATO International Secretariat is officially notified of this decision by the Russian side.”

The statement names Russia’s Belgian ambassador as a contact NATO can use “to maintain emergency ties” with Russia. And “The ambassador of one of the NATO member states in Moscow, to be chosen at the bloc’s discretion, could perform similar functions.”

### **Andrey Kortunov Asks, Whether Russia Should Be Worried about the New AUKUS Alliance**

Oct. 18 (EIRNS)—Andrey Kortunov, the Director General of the Russian International Affairs Council, posed this question in his article, “[Should Russia Be Worried By the New AUKUS Alliance?](#)” for the Carnegie Moscow Center on Sept. 29. He wrote, “Decisions made by NATO may be unpalatable for Moscow, but they are generally consistent and predictable. The same cannot be said of structures such as AUKUS,” the newly formed military alliance of the United States, Australia, and the U.K.

The reactions to AUKUS were mixed, Kortunov reports. A conflict between the U.S. and France was welcomed by some; others viewed the deal as targeting Russia as well as China. Others expressed concern about sharing nuclear submarine technology with non-nuclear Australia, which under AUKUS, will now get eight nuclear submarines. But these are only the short-term effects of the creation of AUKUS, Kortunov said. There will be long-term implications for Russia, but even more, the creation of AUKUS confirms that the U.S. standoff with China is the top policy priority for the Biden administration. Kortunov stated, “The fact is that it’s getting increasingly difficult for Washington to single-handedly compete with Beijing in the naval area, especially in the Eastern Pacific Ocean. This

means it must press its most reliable partners, while ignoring the inevitable cost.”

In perhaps his most important observation, Kortunov explained that nuclear submarines have only one indisputable advantage over modern diesel subs: a greater operating range. Therefore, he says, it follows that if the purpose of the new submarines were to defend Australia, they would not need to be nuclear. But if their purpose is to perform covert operations over many months in more remote waters—near the Taiwan Strait, the Korean Peninsula, or even farther afield in the world—then being nuclear would be a significant advantage.

There is concern that over time, AUKUS will become an Asian equivalent of NATO, Kortunov says, “but they are unlikely to come true. Countries like South Korea and India have no desire to join a multilateral military alliance that could jeopardize their relations with other countries.... The establishment of a new structure is in itself a direct acknowledgment by Washington that the 20th-century rigid model of alliance is not right for this century. If anything, AUKUS is an attempt to find a modern alternative to NATO.”

Around the same time as AUKUS was established, China applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP). “The TPP was actually conceived as part of a strategy for China’s containment under former U.S. President Obama. Trump refused to take part in it. China’s chances of joining are slim, but in making the request, China is demonstrating that it would like to limit its rivalry with the U.S. to the realm of trade, investment, and technology,” Kortunov writes.

He concludes with a response to the question in his headline: “Today, AUKUS looks like a rickety and unstable structure cobbled together in a hurry. But in twenty or thirty years, the logic that prompted its members to establish a new military and political alliance could lead them into a situation that neither they nor their opponents can get out of without the

most severe consequences for themselves and the rest of the world. That is the main long-term danger from AUKUS.”

## Reports Are That China Flew a Hypersonic Glide Vehicle Around the World

Oct. 18 (EIRNS)—A surprising report appeared in the *Financial Times* of London Oct. 17, giving anonymous sources but later explained by China’s Foreign Ministry, that China had test-launched a hypersonic glide vehicle which circled the entire globe in low-Earth orbit before attacking a target which it reportedly missed by 24 miles. The surprise was not the miss, but the ability to send a “hypersonic weapon” around the world and even potentially over the South Pole, putting China apparently far ahead of the United States in this area of military development.

The paper said: “Five people familiar with the test told the *Financial Times* that the Chinese military launched a rocket that carried a hypersonic glide vehicle which flew through low-orbit space before cruising down towards its target. The missile missed its target by about two-dozen miles, according to three people briefed on the intelligence. But two said the test showed that China had made astounding progress on hypersonic weapons and was far more advanced than U.S. officials realized.”

Whereas *FT* has put its article behind a paywall, the *Indian Express* website covered it on Oct. 18. “The [*FT*] report cites a security official, and another Chinese security expert close to the People’s Liberation Army, as saying the weapon was being developed by the China Academy of Aerospace Aerodynamics, under the state-owned China Aerospace Science and Technology Corporation that makes missile systems and rockets for China’s space program. Both sources reportedly said the vehicle was launched on a Long March rocket, which is used for the space program. According to the report, two people familiar with the test said the weapon could, in theory, fly over the South Pole. That would pose a big challenge for the U.S. military because its missile defense systems are focused on the northern polar route.”

Chinese Foreign Ministry spokesman [Zhao Lijian](#) was asked about the report by Bloomberg and AFP. Zhao replied: “As we understand, this was a routine test of a space vehicle to verify technology of spacecraft’s reusability. It is of great significance to reducing the cost of using space vehicle and providing a convenient and cheap way for mankind’s two-way transportation in the peaceful use of space. Several companies around the world have conducted similar tests. After separating from the space vehicle before its return, the supporting devices will burn up when it’s falling in the atmosphere and the debris will fall into the high seas. China will work with other countries in the world for the peaceful use of space for the benefit of mankind.” In a followup question, he told Bloomberg he understood the test took place in July.