

EIR Daily Alert Service

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

- Some Republicans and Democrats Want a New Hamiltonian Industry Policy; What Stops It?
- Labor Day Conference Like No Other
- Excitement and Pride as Argentina Launches SAOCOM-1B Satellite into Polar Orbit
- Prospective Biden Defense Secretary Wants Tighter ‘Deterrence’ of China
- Former San Francisco Mayor Willie Brown Warns Democrats, Rioting Will Elect Trump
- U.S. Commerce Department’s Huawei Restrictions Killing U.S. Commerce
- More of U.S. Labor Force Being Lost; We Must Generate Millions of Productive Jobs
- Wall Street Banks’ Loan-Loss Reserves Too Small for Crisis
- COVID Meets the Flu—Requires a Crash Program in Testing
- Russian Federation Detains Financiers for Islamic State Terrorists
- Putin and Lukashenko Agree To Meet in Moscow

EDITORIAL

Some Republicans and Democrats Want a New Hamiltonian Industry Policy; What Stops It?

Aug. 31 (EIRNS)—The Aug. 30 *Washington Post*, under “Business,” reported on motion within and around the Republican Party in favor of an “industrial policy”— a policy of using subsidies to encourage specific

industrial production. President Donald Trump demanded a military-industrial policy in his first executive order (addressed to the Pentagon) in early 2017 and in 2020 has expanded this to medical supplies and equipment, including use of the Defense Production Act; he has often put Peter Navarro in charge of this effort. The *Post* only very briefly mentions that legislation for a scientific-industrial policy has also come from the Democratic Senate leadership, and has bipartisan sponsors.

The *Post* interviewed Sen. Marco Rubio, who wants “a 21st-century pro-American industrial policy,” identifying and subsidizing technologies for national security and economic growth. Bernie Sanders, Elizabeth Warren, Sherrod Brown, AOC, and even Joe Biden claim to be doing the same thing with green new deals and Biden’s crazy “buy-American green new deal”; but the right name for this is “anti-industrial policy,” since it will rob industry of energy and power. Rubio, by contrast, is for “boosting federal loan programs for small manufacturing companies and offering federal loan guarantees to help producers of medical equipment borrow money.” Sen. Tom Cotton (R-AR), Rubio’s ally in this, was also interviewed; he is responsible for a bill to subsidize a new U.S. wave of investment in semiconductor technology, presumably a “Huawei effect.” Both Senators are strongly anti-China in word and action, and clearly want to use “bounties” (as Alexander Hamilton called them) in significant part to counter China.

The paper also interviewed Navarro, who presented tariffs, defense-industrial spending, and the Defense Production Act invocations as an industrial policy leading to Operation Warp Speed for vaccines and other medical innovation boosting. Trump has just made a re-election point of tax incentives for companies to bring back medical and other manufacturing from China.

There are new think-tanks formed, including American Compass, headed by Rubio aide Oren Cass, and the Niskanen Center. Cass told the *Post* that the government should go beyond tax credits to “matching funds for ... private sector investment in strategic industries.”

It must be understood that all of this points in a “Hamiltonian” direction antithetical to the power and policies of Wall Street, the City of London, and the Federal Reserve. And none of these advocates attack Wall Street or vote against it on any important matter. Although there is periodic huffing and puffing about the Federal Reserve “answering to Congress” or “being directed by the President,” nothing changes in its money-printing, bank-bailing activities which run directly counter to *any* industrial policy. Wall Street banks do not lend in a zero- or effectively negative-rate regime, even when guaranteed or subsidized, as we have learned from the Payroll Protection Program and similar episodes. Glass-Steagall bank separation is a must for industrial policy, because speculation is more profitable for “universal banks”—and stock buybacks and “financial engineering” with bond derivatives more profitable for large companies—than investments in new technologies. Equally fundamental are the lack of Hamiltonian national credit institutions essential to technological investments, or support for such institutions; the lack of interest in funding new platforms of basic economic infrastructure which supports private industrial advancement and is the biggest invention driver known to economics; failure to identify or support “science drivers”—either a big expansion of NASA funding to carry out the Artemis Moon-Mars mission, or a fusion crash program. Federal R&D funding, especially to national laboratories, is down to 0.7% of GDP in 2020 from 2.1% in 1970; ironically, 2.1% of GDP is what national R&D spending is *now* in China, which is moving decisively to raise it further during 2020. This R&D atrophy, 50 years in the making, is addressed in one bill, the “Endless Frontier Act of 2020,” proposed by economists linked to the Democratic Party, and sponsored by Senate Minority Leader Chuck Schumer and Republican Todd Young, and in the House by Democrat Ro Khanna and Republican Mike Gallagher.

President Trump himself is the strongest advocate of an “American System” industrial policy, and uniquely not bothered by other major powers pursuing it for their nations while he pursues it for America. But his deadly adversary on this is not the Democratic Party, but the City of London and Wall Street, and the powerful central banks of the United States, the U.K.,

and Europe. His potential allies in putting it through are those other major nations: China and Russia above all.

THE NEW GLOBAL ECONOMIC ORDER

Labor Day Conference Like No Other

Aug. 31 (EIRNS)--View the four blockbuster panels of the Schiller Institute's Labor Day weekend conference, "War Drive Towards Armageddon, or a New Paradigm Among Sovereign Nations United by the Common Aims of Mankind?" discussing every issue that can bear on an upcoming summit of the heads of state of the five UN Security Council permanent members. [Register and attend.](#)

Excitement and Pride as Argentina Launches SAOCOM-1B Satellite into Polar Orbit

Aug. 31 (EIRNS)—At 7:18 p.m. last night, SpaceX's Falcon 9 rocket launched Argentina's SAOCOM-1B satellite into polar orbit, a flight path quite different from most vehicles launched from the East Coast of the U.S. which normally head eastward. The polar path runs mostly north to south over the Earth's poles. This is the first time in 50 years that a rocket launched from Florida has taken this path.

Considered to be the most important achievement in Argentina's space history, SAOCOM-1B is the result of collaboration among the National Space Activities Commission (CONAE), the National Atomic Energy Commission, the state-run high-tech company INVAP, and the National University of La Plata, among others. It is also part of the Italo-Argentine Satellite System (Siasge), along with four other satellites of the Italian Space Agency's COSMO-SkyMed Constellation. There is extensive international cooperation on the project as several nations are involved in satellite tracking and communication.

The product of ten years of work, SAOCOM-1B's launch is a source of tremendous national pride, particularly since the previous neoliberal President Mauricio Macri had done everything possible to undermine and

defund the country’s scientific progress. CONAE reported President Alberto Fernández as saying last night, “In the middle of a complex pandemic with all its difficulties, we didn’t stop this undertaking that began in 2007. We celebrate and are so proud of our scientists ... seeing them standing up, working, [filled with] emotion because they see that their work has meaning. Congratulations Argentines; today we are a little better than before!” Foreign Minister Felipe Sola added, “[T]his is the result of a state that invests in science and technology for the economic and social development of our country; this is how we build sovereignty!”

Built entirely in Argentina, the sophisticated SAOCOM-1B is equipped with Synthetic Aperture Radar (SAR), which will allow it to perform complex and sensitive meteorological tasks, measuring the humidity of the soil, and tracking natural disasters, flood control, etc., all of which are crucial to Argentina’s all-important agriculture sector. A top team from CONAE, led by its executive director Raul Kulichevsky, has been at Cape Canaveral for the past two months preparing for the launch, coordinating with teams back in Buenos Aires, Córdoba, and Bariloche. Only a small number of countries are capable of producing satellites of this type, and thus there is significant demand for Argentina’s collaboration in helping other countries build them.

U.S. POLITICAL AND ECONOMIC

Prospective Biden Defense Secretary Wants Tighter ‘Deterrence’ of China

Aug. 31 (EIRNS)—If Joe Biden is sworn in as the next U.S. President on Jan. 20, 2021, will his administration’s strategic policy toward China be any different from that architected by Secretary of State Mike Pompeo and Secretary of Defense Mark Esper? A June 18 article by former Undersecretary of Defense for Policy Michèle Flournoy in the Council on Foreign Relations’ flagship journal *Foreign Affairs*, entitled “How to Prevent a War in Asia: The Erosion of American Deterrence Raises the

Risk of Chinese Miscalculation,” suggests that it won’t, except for having even more military muscle behind it.

Flournoy, who has made no secret of her interest in being Secretary of Defense in a Biden Administration, argues that U.S. deterrent power has been eroded not only by the growth in Chinese military and economic power but also by the failure of the United States under President Trump to really carry out the Asia Pivot initiated by Barack Obama in 2012. “For the past two decades, the People’s Liberation Army (PLA) has been growing in size, capability, and confidence,” Flournoy writes. “China is also emerging as a serious competitor in a number of technological areas that will ultimately determine military advantage. At the same time, the credibility of U.S. deterrence has been declining. For Beijing, the 2008—9 financial crisis gave rise to an enduring narrative of U.S. decline and Chinese superiority that has been reinforced by perceptions of U.S. withdrawal from the world—as well as, more recently, by its perception of bungled U.S. management of the pandemic and societal upheaval over systemic racism.”

Flournoy was also the architect of the U.S.-led NATO intervention in Libya in 2011. She complains that America has had no answer to China’s Belt and Road, nor to China’s alleged “gray zone” activities in the South China Sea. “All of this spells trouble for deterrence,” she writes. “The more confident China’s leaders are in their own capabilities and the more they doubt the capabilities and resolve of the United States, the greater the chance of miscalculation—a breakdown in deterrence that could bring direct conflict between two nuclear powers.” This, she says, will require “a concerted effort to rebuild the credibility of U.S. deterrence in order to reduce the risk of a war that neither side seeks.”

Flournoy goes on to describe, in great detail, the capabilities that the PLA has developed in its drive for modernization, the upshot of which is “dangerous new uncertainty about the U.S. ability to check various Chinese moves, which could invite risk-taking by Chinese leaders.” As a result, deterrence could break down. Flournoy’s answer is to tighten the U.S.-made ring of steel around China. “To re-establish credible deterrence of

China, the United States must be able to prevent the success of any act of military aggression by Beijing, either by denying the PLA's ability to achieve its aims or by imposing costs so great that Chinese leaders ultimately decide that the act is not in their interest," she writes. "And Xi and his advisers must believe that the United States has not just the capability but also the resolve to carry through on any deterrent threat it makes."

Because of China's military advantages in its own backyard, "U.S. policymakers need to start thinking more creatively about how to shape Beijing's calculus," she continues. "For example, if the U.S. military had the capability to credibly threaten to sink all of China's military vessels, submarines, and merchant ships in the South China Sea within 72 hours, Chinese leaders might think twice before, say, launching a blockade or invasion of Taiwan; they would have to wonder whether it was worth putting their entire fleet at risk." Washington also needs to demonstrate its commitment to the region by deploying more senior officials to the region to build military alliances, deploying more military forces to the region, and sponsoring more military exercises.

Flournoy concludes by calling for increasing strategic dialogue with China. "Reestablishing a forum in which China and the United States could regularly discuss their respective interests and perspectives, identify areas of potential cooperation (such as nonproliferation and climate change), and manage their differences short of conflict is essential; tactical discussions on trade issues are simply not enough," she writes. Thus, through this "dialogue," America will lecture the Chinese on all the consequences they will suffer if they don't behave according to U.S. diktat.

Former San Francisco Mayor Willie Brown Warns Democrats, Rioting Will Elect Trump

Aug. 31 (EIRNS)—Two-term African-American Mayor of San Francisco Willie Brown, later elected Speaker of the California State Assembly, handed down some strong advice Aug. 29 in the *San Francisco Chronicle* under the headline "Willie Brown: Burning and Looting in the Name of

Justice Will Hand Election to Trump,” which, though put in the local section of the daily, was nationally covered by Aug. 30: Democrats should stop calling riots “demonstrations,” because “burning and looting” will help re-elect President Donald Trump. Brown is the foremost African-American political figure in the state.

“The biggest threat to a Democratic election sweep in November isn’t the Republican in the White House, but the demonstrators who are tearing up cities in the name of racial justice,” Brown wrote in the *San Francisco Chronicle*. “What we need to do is have everyone, including the media, stop calling the after-dark destruction ‘demonstrations.’ ”

Brown pointed out, “The Rev. Martin Luther King Jr. did not cross the bridge at Selma under cover of darkness. You can’t even read a protest sign at night. The demonstrations end when the Sun goes down. After that, it’s trouble for trouble’s sake.”

The *San Francisco Chronicle* acknowledges that Brown has been at the center of California politics, government, and civic life for four decades, spanning the Presidencies from Lyndon Johnson to George W. Bush. Brown said he gave Sen. Kamala Harris (D-CA) her start in politics, arranging paid government jobs for her in the 1990s.

Not only has Harris been more measured than Biden, if not “neutral,” in her comments on the violence in two interviews since becoming the vice-presidential nominee; Biden also seemed, on Monday afternoon, to have gotten a message of some sort. “Rioting is not protesting,” said Sleepy Joe, as the polls tightened around him.

U.S. Commerce Department’s Huawei Restrictions Killing U.S. Commerce

Aug. 31 (EIRNS)—On Aug. 17, the Department of Commerce’s Bureau of Industry and Security (BIS) added 38 worldwide subsidiaries of Huawei to their Entity List, prohibiting U.S. chip manufacturers from selling to with them without permission; and further tightened the rules involving

engagement, in general. The BIS had already put 70 Huawei affiliates on the Entity List in May.

Too many to list individually, the list literally covers the globe, the only continent not mentioned being Australia (likely because they have done their own purge of Huawei). In descending order, the targeted affiliates include 10 in China itself; 8 in Europe; 6 in South America; 4 each in Southeast Asia and Africa; 2 each in Russia and Southwest Asia; and 2 in India.

This action was immediately endorsed by Secretary of State “Pompous Mike” Pompeo, who was then in Prague, on his tour of Eastern Europe. “The Department of State strongly supports the Commerce Department’s expansion today of its Foreign Direct Product Rule,” Pompeo said on Aug. 17, “which will prevent Huawei from circumventing U.S. law through alternative chip production and provision of off-the-shelf chips produced with tools acquired from the United States.”

This action, by the so-called Commerce Department, is actually severely detrimental to U.S. commerce. The chip market currently represents some of the highest-technology productive capability currently existing in the struggling American economy. In the wake of the filing, industry spokesmen have come forward to declare that Huawei accounts for a full 25% of the \$130 billion U.S. chip export market, which stands to take a \$32 billion hit as a result of this escalation in the New Cold War.

“Everybody knows this is a Trump Administration move, but I’m missing the long-term strategy and the next step,” one industry CEO observed to trade site FierceElectronics. “If they are ruining a foreign company because they can, that’s not a wise choice. If there is a higher goal to get the Chinese to do something they have not done, what is the next step?”

COLLAPSING WESTERN FINANCIAL SYSTEM

More of U.S. Labor Force Being Lost; We Must Generate Millions of Productive Jobs

Aug. 31 (EIRNS)—Three newly released reports show that the mission of productive re-employment of unemployed and underemployed Americans is becoming more urgent. The number of eligible workers who have dropped out of the American labor force from discouragement at getting skilled employment—or loss of skills from long unemployment—is now at 7-8 million; it could go to 15 million by year's end, nearly 10% of the entire workforce. New basic economic infrastructure is waiting to be built for the United States and the world, leading with a “front-end” mobilization of modern healthcare facilities and equipment for developing nations where the COVID pandemic is raging. Credit is needed, and a summit decision of major nations' leaders to issue it.

The U.S. Labor Department reported on Aug. 28 that the number of people who have become “permanently unemployed” during 2020 had reached 3.9 million as of mid-July. This means workers whose “layoffs” or “furloughs” had turned into formal firings, terminations. Second, the Federal Reserve Board reported the same day that this permanent unemployment will reach at least 6.5 million, and perhaps up to nearly 9 million, by the end of the year. This is primarily a small-business phenomenon and predominantly lower-wage and non-productive employees. There is one estimate—by Oxxford Information Technology which claims a database of 32 million companies—that 4 million businesses will close during 2020 and only 1.3 million be started.

The 9 million figure for permanent firings approximately equals that of 2009, after which it took a decade even to return to 2008 employment levels. Some of these workers have found new employment, but the Federal Reserve Board estimates that “long-term unemployment”—without any work for at least six months or more—will reach 4-6 million by January. These are the workers who are likely to lose skills and/or drop out of the workforce, joining more than 8 million eligible workers already out of it.

The August report of the White House Council of Economic Advisors, however, judges that 80% of the February-May layoffs were “likely to be temporary.” It says, “it will be important to ensure that the decline in the unemployment rate continues over the next several months and that these temporary layoffs do not result in large permanent job losses.” This shows wishful thinking from Jason Furman’s Council, rather than a call for “action, and action now.”

The Democratic answer if anything is worse: Assume continued mass, long-term unemployment through the beginning of 2021 and therefore extend elevated unemployment benefits at least that long. Otherwise give \$500 billion to states and municipalities to keep more millions, including first responders, from being laid off, for now.

Wall Street Banks’ Loan-Loss Reserves Too Small for Crisis

Aug. 31 (EIRNS)—U.S.-based banks reported total profits of \$18 billion in the second quarter, 70% less than in the first, according to the FDIC. While the highly publicized earnings reports of the “big six” Wall Street banks, even with Wells Fargo’s \$2.4 billion loss, were \$17 billion, the 5,000 small and community banks just about broke even for the quarter, as commercial and industrial lending fell despite the Payroll Protection Program loans. By contrast, the five largest Chinese commercial banks—Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, and Bank of Communications—just posted their first-half (not first-quarter) earnings, and they totaled less than \$10 billion. This indicates that regulators required them to set aside much more substantial—actually adequate—loan-loss reserves against bad loans in the crisis.

SCIENCE AND INFRASTRUCTURE

COVID Meets the Flu—Requires a Crash Program in Testing

Aug. 31 (EIRNS)—Coming into the flu season, one can normally expect that around 45 million Americans will contract the influenza, and about

34,000 will perish—about 0.76 deaths/1,000 cases. However, in the pandemic year of 2020, the abnormal prevails, with 6 million cases and already over 185,000 deaths—about 30.8 deaths/1,000-cases (or 40 times more deadly than the flu). The confluence of the two, with very similar presenting symptoms, has the makings of a witch’s brew of problems for patients and doctors. One major issue will be the ramping up of testing capacity for both. There are some real supply problems in the production line, as tests for the two also draw upon many of the same physical materials.

The testing capacity for COVID-19 was overwhelmed in the U.S. during the July surge. The turnaround times on tests doubled and tripled, undermining any thought of a competent tracking program. With a lot of clawing and scratching, testing capacity climbed to about 800,000/day by the end of July, but was nowhere near what was needed to track, isolate, and roll back the coronavirus. At the present level of capacity, and with new cases per day having settled back to the 40,000 range, we can test all those who are presenting with symptoms. However, the beginnings of a mobilization can be discerned. Under the crash program for testing, known as RAD (Rapid Acceleration of Diagnostics), HHS Assistant Secretary for Health Dr. Brett Giroir plans to reach a capacity of 90 million in September, in contrast to 25 million in July.

“I see this like us ramping up as a nation after Pearl Harbor was bombed. I think, right now, it’s the calm before the storm with the fall flu season.” This evaluation is from Emily Volk, president-elect of College of American Pathologists. Sonora Quest Labs, for example, is in the process of a tenfold increase in molecular testing. In July, their backlog drove their turnaround time up to over a week. They hired 200 additional staff and cleared their backlog, and by early August had a one- to three-day turnaround time. With new machinery, they are up to 30,000 tests per day, on the way to 60,000/day by mid-September. However, a significant component of the increase to 90 million/month will be the rapid antigen tests, featuring quick turnaround time for results, though lower accuracy

levels than molecular testing. Abbott Labs just obtained an Emergency Use Authorization (EUA) for an inexpensive (\$5) rapid antigen test.

The ramping up also involves “multiplex tests” for the simultaneous testing of COVID and the flu. An EUA has been granted by the CDC to BioFire Diagnostics of Salt Lake City on one such multiplex approach. San Diego’s Quidel Corp. is also developing a multiplex. The upcoming flu/COVID combination will be a new challenge. Hopefully, the ramping up after Pearl Harbor, evidenced in the Operation Warp Speed push for vaccines, will infect our testing capacity and alter Americans’ conception of what is possible—even trigger some sustained optimism.

STRATEGIC WAR DANGER

Russian Federation Detains Financiers for Islamic State Terrorists

Aug. 31 (EIRNS)—In five regions, Russia’s Federal Security Service (FSB) has detained financiers of the Islamic State (ISIS) terrorist organization. A total of six arrests have been made. “The Federal Security Service has carried out a joint operation with the Investigative Committee, the Interior Ministry, the Federal Financial Monitoring Service, and the National Guard, and exposed a clandestine cell that was active in Moscow, the Moscow, Dagestan and Krasnoyarsk regions and the Khanty-Mansiysk autonomous region, collecting and transferring money to the Islamic State terrorist organization outlawed in Russia,” the FSB said in an official statement, reported TASS. Those detained had been involved in funding terrorist organizations in Syria. Communication means and payment tools that prove their illegal activities were seized from those detained.

Putin and Lukashenko Agree To Meet in Moscow

Aug. 31 (EIRNS)—During the sixth telephone discussion between the Russian and Belarusian Presidents on Aug. 30, Vladimir Putin and Aleksandr Lukashenko, it was decided that the two leaders would meet in Moscow in the coming weeks, Kremlin spokesman Dmitry Peskov briefed media. Furthermore, Putin has also discussed the situation in Belarus with

French President Emmanuel Macron, German Chancellor Angela Merkel, and President of the European Council Charles Michel.

- Watch the [Morning Briefing with Harley Schlanger](#) on Tuesday, September 1: 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](#).