Economy Briefs

Biden Regulators to Demand Every Firm's Climate Risk

March 18—The U.S. Securities and Exchange Commission on March 15 announced its intent to require corporations to disclose the "risks" they face from climate change and their policies to curb emissions. The *Washington Examiner* noted: "Investors, including large asset managers such as BlackRock, and environmental groups have strongly called for mandatory disclosures." On March 17, the Commodity Futures Trading Commission (CFTC) announced the creation of a Climate Risk Unit "to help the agency better understand, price, and address climate-related risks," according to the *Examiner*.

Congressional Republicans called the move "misguided" and a "self-fulfilling prophecy," in a letter to Fed Chairman Jerome Powell signed by all Republicans on the Senate Banking Committee, led by ranking member Sen. Pat Toomey of Pennsylvania. The letter says that such regulations would allow the government to "claim there are financial risks with energy exploration and other disfavored investments, then use the levers of government—via the unelected bureaucracy—to ban or limit those activities." They say that climate predictions are "inherently and irreducibly uncertain."

More than half of the Senate's Republicans introduced legislation to keep banks from restricting services to specific industries, including energy producers.

Inflation and Money-Printing: U.S.-China Contrast

March 15—The latest calculation for the U.S. of the replacement of household income lost in the 2020 economic collapse, by Federal "relief" legislation, was from former Reagan Administration OMB Director David Stockman, on March 13. Stockman's figures may be imprecise, but two things are clear. First, the replacement of household income by government grants and credits will have been much larger than—between two and three times—the loss of wages and salaries in the 2020 economic collapse triggered by the pandemic, which totaled perhaps $300 billion. Second—and this is the inflationary trigger—a large part of these "emergency relief" funds will have gone to households which did not lose wage and salary income, since that loss was concentrated among lower-income households.

Under zero interest rate conditions, forced by nearly $3 trillion in new excess bank reserves created by the Federal Reserve during the same period, these printed funds were largely spent—on extra purchases and on speculative investments. The inflationary results are now showing, from the price of motor vehicles and houses, to the price of stocks.

That—unprecedented money printing with interest rates held at zero by the central bank—was the formula for creating inflation laid out at the August 2019 Jackson Hole bankers conference of the Federal Reserve, by executives of BlackRock, Inc., all of them former central bankers.

The Chinese government, which is now sounding the inflation alarm over the latest, $1.9 trillion U.S. "COVID relief" bill, took a different course. Prime Minister Li Keqiang recently said, "In the face of unprecedented severe shocks last year … [we] did not flood China's economy with massive liquidity. The increased fiscal funds totaling 2 trillion yuan [about $300 billion] were mostly used to support market entities and people's well-being by making tax and fee cuts and meeting basic living needs."

China's economy has recovered strongly but with holes in that recovery; one of those is youth employment. The unemployment rate among Chinese 16-24 years of age was 13.1% in February, unchanged in a year (the overall national rate is 5.5%), according to the National Bureau of Statistics. The number of new urban jobs created annually, which had run at about 13.5 million before 2020, fell below 12 million that year, and is targeted at 11.5 million in 2021.

Another Sign of Russian-Chinese Integration: Food Exports

March 15—*RT* reported Russian agricultural exports are 28% higher in January-February 2021 than in the same months of 2020; they were $4.51 billion according to the Russian Agricultural Ministry. Foreign sales of grains rose 86.4%, account-

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ing for most of the increase, and it was generated primarily by exports to China, with Turkey also increasing its imports sharply. Exports of meat and dairy products were up 32.8%, but at only $154 million. Some categories of food exports fell, such as fish and seafood. But overall, China's imports of food from Russia jumped by 24.4% from year to year, and it is the top importing nation with 18.2% of Russia's agricultural exports. Turkey accounts for another 15.2%.

U.S. Blocked Russian Vaccine for Brazil

March 16—The U.S. Department of Health and Human Services (HHS) has admitted in its annual report that it used "diplomatic relations" in order to force Brazil, one of the countries worst hit by the COVID-19 pandemic, to reject authorization of the Russian coronavirus vaccine Sputnik V. HHS explained its action by the need to "mitigate efforts" by Russia to boost its "influence" in the region, which would be detrimental to "U.S. safety and security."

Speculation Again Ruling Europe's Carbon Tax System

March 15—In a clear sign of the "green finance bubble" warned of in the *EIR* Special Report, *The Great Leap Backward: LaRouche Exposes the Green New Deal*, permits to pollute in the EU Emissions Trading System have jumped by 50% in price in a few months, reaching $41/ton of CO_2 on March 12. President Joe Biden's first Executive Order set a "social price" of $51/ton (and promised to raise that "social cost" quickly to $100-125). Clearly, government actions are interjected to set targets in carbon-trading markets for speculators. In effect, they are driving up the volume of funds which European productive companies of all kinds have to pay financial speculators to "offset their pollution." Hedge funds are playing a larger and larger role in this market, which covers power plants, industrial plants and airlines—but it is being expanded by Brussels later this year to other sectors.

The European Union Emissions Trading System (EU ETS) was established in 2006. It was widely denounced for speculation and fraud, inclusively by environmentalist groups like Friends of the Earth. The 2008 crash wiped out most of that speculative bubble, but it is now being force-fed by the "green finance" policies of the City of London and Wall Street banks and fund managers.

Dan Jørgensen, the Climate Minister of Denmark, said in an interview published by Bloomberg on March 10, that the bloc is "looking into probably the need for an adjustment of the ETS for several reasons and one of the things we definitely need to look into is the investment structures and whether or not they are dangerous."

FOMC Conflicting Words, Actions, Show Inflation Threat

March 18—The U.S. Federal Reserve Bank's Federal Open Market Committee (FOMC), at the conclusion of its March meeting on St. Patrick's Day, released a statement seemingly both forecasting and welcoming a takeoff of inflation in the U.S. economy; but very quietly took an opposing action.

The claims the FOMC statement made in its forecast for the American economy are hard to believe in themselves. GDP growth is supposedly going to rise to 6.5% for the year 2021; the unemployment rate is allegedly 6.9% (Fed Chair Jerome Powell himself put it at 10% in Congressional testimony early in March) and is going to drop to 4.5% this year; the inflation rate is now at 2.0% (many producer prices and services prices are rising at double that rate or more) and will be below 2.2% for the year—even that would be quite a leap up from the negligible official inflation of post-2008 crash years.

But despite all this forecast growth and inflation, and despite the Treasury's spending of another $1.9 trillion under the American Rescue Act just enacted, the FOMC decided that the Federal Funds Rate will be kept effectively at zero *through the end of 2023*, and the Fed will keep building up major banks' reserves by securities purchases at the rate of $120 billion per month *indefinitely*.

At the same time, and without any notice in the FOMC statement, the New York Federal Reserve Bank announced a change in its regulation on repurchase agreements. This is the so-called "repo market," the interbank lending market whose breakdown in September 2019 first signaled the coming financial crisis which the Fed met by printing—so far—$4 trillion in excess bank reserves starting October 4, 2019. Leaving technical aspects aside, the New York Fed's change was an apparent step to *withdraw* cash liquidity from the banking system by getting banks to buy Treasuries from the Fed. If that sounds like the opposite of the Fed's continuing QE4 at $120 billion per month indefinitely, it is. U.S. long-term interest rates jumped up March 18 in response.