
Economics Briefs

IMF Report Shows Low-Income Countries Are Being Pushed Down

The just published IMF *World Economic Outlook: October 2021* [report](#) shows “a dangerous divergence in economic prospects across countries,” according to its authors. 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%.

The figures in the country growth forecasts themselves are unimportant, as the IMF changes them frequently and they still don’t match reality. Moreover, 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, as in the 6.0% GDP forecast for the United States.

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 [participation in the IMF policy advisory program —ed.] 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 urges 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 Fed President Abandons Pretense that Inflation Is ‘Transitory’

The President of the Atlanta Federal Reserve Bank, Raphael Bostic, abandoned the “transitory inflation” pretense of Fed chair Jerome Powell and Treasury Secretary Janet Yellen, in an online speech to the Peterson Institute of International Economics (IIE) Oct. 11. Bostic said:

“It is becoming increasingly clear that the feature of this episode that has animated price pressures—mainly the intense and widespread supply chain disruptions—will not be brief. Data from multiple sources point to these lasting longer than most initially thought. By this definition, then, the forces are not transitory.”

Bostic added that inflationary pressure has not decreased but “has broadened beyond the handful of items most directly connected to supply chain issues or the reopening of the services sector. Longer-run inflation expectations measures have climbed, with many reaching levels we haven’t seen in about a decade. These upside risks to the inflation outlook bear watching closely.”

The internal pressures in the Federal Reserve have continued, with the IMF now warning it (and other central banks) to be highly alert for rises in in-

flation and even to be ready to raise rates. Vice Chair of the Fed for Bank Supervision Randall Quarles, a Trump appointee, reached the end of his term on the Fed Board of Governors and, though he may be reappointed to the Board, he has had the Bank Supervision responsibility taken away from him, according to an announcement of Powell on Oct. 12. That post is likely to go to liberal Keynesian governor Lael Brainard. And Vice-Chair of the Fed, Richard Clarida, may have to resign due to revelations that he, too, made bond and stock fund trades directly related to a policy change the Fed was going to announce the next day, back in March 2021.

Bad Forecast for U.S. Energy Prices this Winter

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.

India Now Near Blackouts for Lack of Coal

Calling it “a man-made crisis,” Delhi’s Power Minister Satyendra Jain said Oct. 9 that more than half of India’s 135 coal-fired power plants, which supply around 70% of the country’s electricity, have only three days’ stock of coal, not the normally required one-month supply. In Delhi, he said, supplies have come down to one day. “If coal supply doesn’t improve, there will be a blackout in Delhi in two days.”

Delhi’s Chief Minister Arvind Kejriwal warned that same day of a looming power crisis in the Indian capital of 20 million people, due to coal shortages. There have already been power cuts in some Indian states in the east and north. “Delhi could face a power crisis,” Kejriwal tweeted. “I am personally keeping a close watch over the situation.” In a letter to Prime Minister Narendra Modi shared on social media, Kejriwal said coal shortages had continued for three consecutive months, putting pressure on gas-fired power stations that also did not have adequate fuel.

Demand for industrial power has surged in India after the second wave of the COVID-19 pandemic. Coal consumption has gone up—that is, it has almost returned to pre-pandemic levels. This is a crisis because of the lack of investment in coal production worldwide under “green finance” pressure.

Only Productive Investment Can Rebuild U.S. Labor Force

The September U.S. jobs situation was widely reported as having marked

a “stall” in an alleged economic recovery from the 2020 “pandemic” collapse; but it actually showed something far worse: The civilian labor force had shrunk by 1.4 million since the start of the Summer, and the number of Americans in the “civilian non-institutionalized population” who were out of the labor force had gone over 100 million for the first time, to 100.5 million. That’s 10 million more labor force dropouts than at the time of the 2008 financial crash. The Americans out of the labor force rose by 175,000 in the month of September alone.

Underlying this shrinkage is the most fundamental U.S. economic fact: No new productive employment at all, of any kind, has been created since the breakdown began with the September 2019 “repo crisis” and the Federal Reserve began QE5. The terrific pace of money printing since then—driving Federal Reserve assets from \$3.75 trillion to the present \$8.5 trillion in two years, combined with \$5 trillion in Treasury funds for “COVID relief” of various kinds—has inundated an economy lacking any new productive employment, to trigger runaway inflation. The only legislation in years that might have added some construction and engineering employment, the pending “bipartisan infrastructure bill,” has been deliberately postponed by the Democratic majority in Congress, looking for \$3.5 trillion in more “household aid” first.

In an irony created by the Green New Deal’s failure, U.S.-based coal companies are now unable to find coal miners to hire to meet the resurging demand for coal, according to a *Bloomberg News* [article](#) of Oct. 6, “U.S. Coal Mines Are Running Out of Miners Just as Demand Booms”:

“‘There’s a perception that the coal industry, if not dead, is dying,’ Ernie Thrasher, chief executive officer of

Xcoal Energy & Resources LLC, a Pennsylvania coal trader that works with several suppliers, said. ‘Young people just have many more choices.’”

There’s selling marijuana, up 80,000 jobs this year. Home health-care, up 90,000. And there’s staying out of the workforce, up 900,000 in 2020 so far.

Worldwide 140 Million More Unemployed, More in Poverty than in 2019

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; for the first two quarters it was \$1.3 trillion or about 5.3%. Some 110 million more workers are officially in poverty around the world than were in 2019.

As with the major “advanced” economies, this phenomenon of lost employment worldwide is essentially a lack of any new, productive employment created through actions of government to fight the pandemic, which 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.