EDITORIAL

Russia Can Be the Major Nation First to a Gold-Reserve Credit System

by Paul Gallagher

March 4—Jamie Dimon's bank's economics staff has confidently predicted that the multiple layers of extreme "nuclear" economic sanctions slammed on Russia by the trans-Atlantic treasuries and central banks, will shrink Russia's GDP by 30-35%. The JPMorgan Chase CEO has been in the limelight pontificating on just how to keep the Russian banks out of the SWIFT interbank system. The recent economic forecasting record of his bank's economists is atrocious. Leaving that aside, and looking instead at the ultra-bloated speculation ("balance") sheets of JPM and the other London- and Wall Street-centered banks, it would seem that U.S. GDP could be wrung out by a good 25% while getting real physical-economic growth started. But physical-economic growth is not what is in store for the NATO nations now, only very rapid growth in the prices of everything.

The *Wall Street Journal* ran a column March 3 headlined "If Russia's currency reserves aren't really money, the world is in for a shock," saying:

> Sanctions have shown that currency reserves accumulated by central banks can be taken away. With China taking note, this may reshape geopolitics, economic management and even the international role of the U.S. dollar.

The London *Financial Times* followed with an article on the same subject March 4. Both the dollar and the euro have just been used to steal hundreds of billions from Russia's national reserves. That will mean that central banks in scores of countries will try to replace dollars and euros with gold and other currencies in their own reserves, lest they be stolen by an angry and arrogant London and Wall Street, like those of Afghanistan, Iraq, North Korea, Iran, and now a G20 power, Russia.

Already with the 2014-15 sanctions on Russia and many others—the share of dollars in central bank reserves around the world has dropped from more than 70% earlier this century, to about 58%—mostly to the benefit of the euro. Now that will accelerate, and the euro will be just as much a theft risk in a nation's reserves as the dollar.

NATO Countries Impose Economic Austerity on Themselves

The NATO nations now look like they will impose severe economic austerity *on their own peoples*, with raging inflation, the waste of large military spending increases, and much more rapid elimination of fossil fuels for heat, power, agricultural chemicals, steel production, and so forth. They will be driven by those who have spearheaded the "extreme sanctions" on Russia from the beginning—Boris Johnson's UK government and the European Commission headed by Ursula von der Leyen.

Having, as they think, destroyed the Russia-China partnership as the economic development alternative in the world, their policy will be to subject their own—and developing countries'—populations to the Green Deal, with a vengeance. The bans NATO has imposed on Russian exports have already exploded the oil price to $115-120/barrel in a week; the natural gas price in Europe to more than 2,000 euros per thousand cubic centimeters; the price of Australian coal by 100%; the price of wheat by 30%; and on through the list of fertilizers, pesticides, edible oils, nickel, and steel, and so on. All these prices had already been increasingly inflating for two years prior to this crisis.

What will NATO power Turkey do, for example, with an inflation rate already *officially* at 56%/year and 75% dependent on wheat exports from Russia and Ukraine which it now cannot get? The Turkish lira without war or sanctions has actually dropped much further, relative to the dollar and euro, than the Russian ruble.

This fatal policy thrust of "Great Reset" austerity may get displayed immediately in the "economic resilience" summit on energy independence and defense which French President Emmanuel Macron proposes to hold as early as March 10 in Versailles.

Immediately the economic prospects clearly look dire for Russia, and for those countries which depend on its food exports, particularly Turkey, Egypt, and a dozen African and South Asian nations. Russia under the "nuclear option" sanctions is in a very similar position to Abraham Lincoln's Union government in 1861: Having little external debt but virtually no international credit; very little domestic credit capacity with its banks impaired; limited reserves; dependent on key imports such as, in Russia's case, machine tools which it now cannot get; suffering inflation from devaluation of its currency; and having to fight both economic and actual war.

Russia has already taken some defensive steps against capital flight and against the changing of rubles into foreign currencies. The Russian Central Bank is also requiring that importers immediately change 80% of their import revenues to rubles to provide liquidity to Russia's banking system. In addition, it more than doubled its main discount rate to 20% from 9.5%, and Russian private banks even raised their savings interest rates a point above that in order to hold ruble deposits.

But having gold reserves under its effective control of close to $200 billion (about 20 trillion rubles equivalent currently), the Russian government can do something similar to the Lincoln Administration's "Greenback" currency and credit policy. It can—as Lyndon LaRouche advised the U.S. government amid rampant inflation in 1981—issue gold-backed bonds for new productive capacity and infrastructure, and for maintaining existing productive capabilities which are crucial for the world, such as advanced nuclear power facilities. If these bonds are gold-backed, with a reasonable maturity and include small denominations, they can bear a much lower interest rate than 20% and effectively form a new ruble currency issue.

Were Russia to be able to do this, it would provide needed relief to nations all over the world, which are in shock at the economic chaos and austerity they face; to India; and to China's Belt and Road Initiative.

Schiller Institute Call for a New Security Architecture

The Schiller Institute's call for an international conference for a new security architecture, emphasizes that this new agreement must be based on a new economic policy of development of all nations, through the cooperation of the major economic powers in particular. The core of that policy was laid out by the late economist and statesman Lyndon LaRouche as "four laws," beginning with Glass-Steagall bank separation and national banking as U.S. Treasury Secretary Alexander Hamilton defined it, in every country. "Hamiltonian" national banking emphatically included the Lincoln Administration's credit issuances through its "Greenback" and bank currency acts—which also legislated strict bank separation as in the later Glass-Steagall Act.

Such an action by Russia to begin to rescue itself from NATO warfare, would provide an opening for joint creation of infrastructure and industrialization credits with China, India, and developing nations; and these could include positive exchange controls to prevent currency collapses and facilitate long-term lending.

As China has re-emphasized in a statement by its Foreign Minister Wang Yi on February 28 concerning the Belt and Road Initiative, so the new economic policy agreements which the Schiller Institute calls for, must be open to, and seek the cooperation of, the United States in particular. For that to happen, will require that the Biden Administration come to see the British-led imperial rage and revenge obsession of the European NATO countries as the potentially fatal mistake that it is.