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World, Stand Back: NATO's Mighty Statue Shattering at the Base

by Paul Gallagher and Dennis Small

Hear the triumphal pronouncements from London, Washington, and the NATO court: "Russia is being defeated and will never threaten us again"; Russia's economy is being "crushed" and "the ruble is rubble"; "China's economic rise will be stopped."

Then look at what is actually happening to the NATO nations' economies since they began this triumphal march. Recall the statue in the desert of Ozymandias, the "King of Kings" of Percy Shelley's great poem.

Almost none of the wealthy investor-pundits and financial press will now deny that the United States' and European nations' economies are falling into recession—the only debate is "how deep" and "for how long." The U.S. economy had negative growth already in the first quarter of 2022; the European Union, essentially zero.

In Europe, CEOs are giving dire warnings, as reported in CNBC's May 4 article "'We See a Big Recession in the Making': Top CEOs Are Fearing the Worst in Europe." The headline quote was from Stefan Hartung, CEO of the engineering giant Bosch. "At some point in time, it won't be just a supply crisis, it will also be a demand crisis, and then for sure, we are in a deep recession," Hartung said. CNN reported that Deutsche Bank economists, in a report dated April 26 and titled, "Why the Coming Recession Will Be Worse than Expected," wrote point-blank, "We will get a major recession"—supposedly "only" until mid-2024. Those analysts blamed it on the implosion of the central banks' hyperinflationary policy. The City of London's *The Economist* admitted May 5: "The expectation is that in the next two years, America will be in recession."

And this while in Russia's economy, which was supposed to be "crushed" to a 30% drop in GDP this year, the JPMorgan economics staff on May 9 reported that "The data at hand therefore do not point to an abrupt plunge in economic activity, at least for now." Meanwhile, China's gross domestic product grew by 4.8% in the first quarter, and Russia's by 3.5%.

Ozymandias

I met a traveller from an antique land
Who said, "Two vast and trunkless legs of stone
Stand in the desert.... Near them, on the sand,
Half sunk, a shattered visage lies, whose frown,
And wrinkled lip, and sneer of cold command,
Tell that its sculptor well those passions read
Which yet survive, stamped on these lifeless things,
The hand that mocked them, and the heart that fed;
And on the pedestal, these words appear:
My name is Ozymandias, King of Kings;
Look on my Works, ye Mighty, and despair!
Nothing beside remains. Round the decay
Of that colossal Wreck, boundless and bare
The lone and level sands stretch far away."

—Percy Shelley

Growing Danger of Hyperinflation

The "Global NATO" bloc has attacked and tried to "crush" a Russia that produces large shares of critical producer goods for the world—metals, minerals, fossil fuels, fertilizers, oils, nuclear power engineering, food crops, as well as space rocket engines, and so on. And after several months of this, the "Global NATO" bloc is on fire with inflation and is heading into a deep recession

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which is not going to be "transitory."

Nor is there much question that these trans-Atlantic economies are seized by out-of-control inflation of their own central banks' making, rapidly doubled and tripled prices for energy and agricultural commodities by their own sanctions that were intended to give a death blow to Russia. In developing countries this inflation, sprung on them by the same NATO authorities telling them to sign up against Russia and China, is causing destruction far worse than mere recession.

The Biden Administration announced that America's annual inflation rate was 8.3% in April for consumer goods, after 8.5% in March, and 11.2% for producer goods. Energy prices, which caused the April rate to lower slightly, have resumed their sharply higher trajectory in May. The April rate for the European Union was 9.3%, and 16.1% for producer goods; in the UK, 9%; in Argentina it is running above 50%; Turkey is at 70%; Brazil's inflation hit 11.3%. The IMF said in April it expected inflation to average 8.7% across all developing countries this year—almost three percentage points higher than it projected in January. China, on the other hand, announced May 16 that its inflation was running at 2.1% in April—worrisome for China, but markedly lower than the trans-Atlantic world.

In the United States the rate of wage and salary increases fell in April to an annual 4.3%, which is just half of even the official rate of inflation; and total worker compensation after inflation dropped by 5.5% in just the first quarter, accelerating a 10.9% drop in real worker compensation from March 2021 to March 2022. The worst inflation, with food, fuel and shelter nearly doubling in price, is ripping through NATO members—the Baltic States, Turkey, the U.K., Poland. This is comparable to the inflation rate their furious war sanctions have triggered in Russia. And developing countries, which are now also being forced to raise their interest rates so that the Federal Reserve does not collapse their currencies, face a disaster—foreshadowed in Afghanistan, Yemen, Haiti, Sri Lanka, Pakistan—in which their people will not be able to buy the food or fuel to survive.

CGTN

Central bank policies have created out-of-control inflation and acute shortages throughout the trans-Atlantic economies: In food ...

EIRNS/Stuart Lewis

... in fuel ...

BelTA.by

... and in fertilizer.

Attempts to call this "Putinflation" are ludicrous; inflation was raging across the trans-Atlantic economies before any Russian soldier moved. It was clearly set off by a decade of central bank money printing finally unleashing inflation from assets to commodities from late 2019 onward (see "The Character of Today's Inflation," *EIR*, Nov. 5, 2021.) And it broke completely out of control with the incredible *$10 trillion* money-printing spree by the Federal Reserve and U.S. Treasury from late 2019 to the end of 2021—without creation of a single new American productive job—with the European and Japanese central banks following close behind.

Perhaps the most deadly of all the price rises today, the explosion of fertilizer prices, was already causing unavailability of fertilizers in many parts of the world before the fertilizer exports of Russia and Belarus were stopped by sanctions in early March. In the United States it has been worsened by lack of freight

rail capacity even to carry fertilizer produced in Canada to the Midwest farm region.

Economic productivity is also falling in the NATO nations. In the United States, the drop is now extended for three quarters and becoming very deep. The U.S. Labor Department had to report that productivity fell by 7.5% in the first quarter of 2022, the biggest such decline in the American economy since 1947's post-War demobilization. Sharp declines in economic productivity are across the board in the trans-Atlantic countries.

In Europe, it is partly caused by industrial companies shutting down or cutting production for periods of time due to the inflation or unavailability of natural gas or liquid fuels normally imported from Russia. In the United States, breakdowns in the entire freight transport network have gone on for a year—ports, rail transport, and now truck freight due to unpayable diesel fuel prices. In early May, the Freightwaves website reported that the cost of diesel fuel was causing truck freight volume to the East Coast to fall this Spring, when it is normally surging with food shipments in particular. Diesel fuel shortages have resulted directly from exporting diesel to European countries which have blocked their own imports from Russia, as well as from refinery shutdowns.

Interest Rate Games Cause Havoc

Neither the U.S. Federal Reserve nor the European Central Bank—and certainly not the Bank of Japan—have made any serious move to "control" the inflationary fire. Thus, on May 4, the Federal Reserve made its announcement, awaited for nearly six months, that it was raising interest rates by 0.5%,

Federal Reserve

Jerome Powell: His Fed hasn't seriously tried to control inflation, but its belated rate rise has caused worldwide havoc.

BoE

The Bank of England is expected to raise its lending rates, as is ...

CC/Eric Chan

... the European Central Bank, in Frankfurt, Germany.

supposedly to curb inflation, and that it expected to repeat the hike various times this year. While unlikely to disturb the rise of inflation, this was enough to accelerate devaluation of most major currencies against the dollar, and to force developing countries, particularly India, Brazil, and Argentina, to raise their own central bank discount rates and whack their own economies. As the *Financial Times* declared May 9, "reverse currency wars" were underway.

After the Fed's May 4 hike, Sweden's Sveriges Riksbank central bank raised its rate from zero to 0.25%, citing the highest inflation level since the 1990s. The ECB, the Bank of England, the Bank of Japan, and the Bank of Switzerland are all expected to raise their rates shortly. India raised its interest rate preemptively, before the Fed did, from 4.0% to 4.4%. Brazil raised its Selic rate on May 4 from 11.75% to 12.75%. Argentina's rate stands at 47%; Chile at 8.25%; Mexico at 6.5%, but is expected to raise it any day.

Reuters reported May 12 that "the recent dollar rally is leaving a trail of destruction in its wake," with an emerging markets currency index dropping 3.5% against the dollar this year to an 18-month low. In India, for example, the May 11 *Economic Times* reported that the rupee was "plunging to "record lows," hitting Rs.77.50 to the dollar. And foreign institutional investors have already been selling off Indian domestic debt at a "ferocious pace" in 2022, the paper said.

The Russian ruble, however, protected by strong exchange and capital controls, is stable (and even strengthening) at 66 to the dollar, a higher value than it had before the monster sanctions imposed on Russia from Feb. 28 on.

Big Banks Taking Big Losses

On top of all this, a payments crisis is threatening even the biggest banks of the trans-Atlantic sector, as well as financial firms in China. The big Wall Street-, London-, and Frankfurt-centered banks have widely proclaimed "fortress balance sheets" from 12 years of constant feeding of reserves and liquidity by the Federal Reserve, European Central Bank, et al. But *The LaRouche Plan for a New International Economic Architecture,* published in the April 8 issue of *EIR*, reported that the biggest banks were racking up big losses in the commodities markets as a direct result of the monster sanctions which were supposed to be destroying Russia:

> The hyperinflationary shock which propagated from the week of March 7 blew most of the liquidity out of the sphere of producing, distributing, and trading commodities. A payments crisis exists among the many thousands of companies in these sectors, and clearly affects their banks. No less a bank than JPMorgan Chase, the biggest in the United States, expressed in the following week, through its global commodities chief, great anxiety about the bank's exposure as a counterparty to all these firms. Lending in these sectors has effectively stopped.

In the second week of May, four major French, Spanish and Dutch banks reported a total of just under $10 billion in March-only losses in these commodity-related loans and derivatives. On Wall Street, the stocks of four of the biggest banks have fallen 20% this year, leading an overall market plunge of more than 10%. And on May 9 the Federal Reserve, in its *Financial Stability Report: Spring 2022*, warned that it

> is focusing attention on large price movements and margin calls in the commodities market

What Putin Sees: Europe Is Performing an 'Economic *Auto-da-Fé*'

May 19—Russian President Vladimir Putin chaired a meeting of his economics and energy cabinet May 16, in which he pointed to the suicidal economic policies of the NATO nations—first, the "Green New Deal:"

> In effect, the so-called political class in the West began to exploit the completely natural concern of many people in the world over climate and climate change problems.… The so-called political class in the West started overrating the potentialities of alternative energy and underrating the importance of all traditional energy sources, including hydrocarbons. This continuous abuse was of quite specific nature … there were restrictions in bank financing, contrived lawsuits were and probably are still initiated against companies and their management, …

And on the European nations' stated determination to do without any Russian hydrocarbon exports:

> They have set this goal for themselves oblivious to the damage they are doing to their respective economies. One gets the impression that Western politicians and economists simply forget basic economic laws or just choose to ignore them.
>
> Saying "no" to Russian energy means that Europe will systemically and for the long term become the world's most costly region for energy resources.… Some analysts are saying that it will seriously or even irrevocably undermine the competitiveness of a significant portion of European industry, which is already losing ground to companies from other parts of the world.

Putin described this as an opportunity for Russia nonetheless:

> Now our partners' erratic actions—this is what they are—have resulted in a *de facto* growth in revenue in the Russian oil-and-gas sector in addition to the damage to the European economy.… Under these new conditions, it is important not only to produce oil but also to build an entire vertical chain, all the way to the end consumer.

> serving as a potential channel through which large financial institutions could be exposed to contagion.... The risk of a sudden significant deterioration appears higher than normal.

Worse To Come

The European NATO countries in their triumphalism are announcing that they will do without two-thirds of their Russian oil imports this year, and eliminate fossil fuel imports from Russia entirely by no later than 2027; the most ferocious anti-Russia leaderships like those of Poland and the Baltics say they will do so no later than 2023. The Norway-headquartered energy major Rystad Energy on May 13 forecast that these plans would fail and leave the big European nations with next to no stored reserves of natural gas going into the Winter of 2022-23.

But European Commission head Ursula von der Leyen on May 18 announced that Europe would do it, with a €300 billion investment plan. *Virtually all of the investment* was planned for either cutbacks in use of energy ("energy efficiency") or more wind and solar power, to the despair of European industries like auto, steel, machine tools, and mining.

Listen to Lyndon LaRouche's uncanny *1977* comment on NATO strategy in this light—it is in "NATO in Caesar's Foolish Footsteps," republished elsewhere in this issue of *EIR*.

> It is notable that Strausz-Hupé's [U.S. NATO ambassador—ed.] proposed foreign policy for the U.S.A., West Germany, Italy, and other relevant nations flows from a definition of vital interests based on a large-scale deindustrialization of those nations. Like the old Roman Empire, Strausz-Hupé's NATO would be a society rotting at home, seeking to preserve that order at home by savage looting of the remainder of the world.
>
> He is also proposing, whether or not he is sensible of that fact, an early general war. The combination of advanced capitalist nations driven desperate by neo-Schachtian internal erosion with an aggressive NATO-linked encirclement of the Warsaw Pact is a circumstance which does nothing but drive the Warsaw Pact toward an otherwise avoidable general war.

The U.S.-UK-NATO military giant has crumbling feet of clay. The majority of the world's nations must take note.

New EIR Offprint Special Report Now Available

The Great Leap Backward: LaRouche Exposes the Green New Deal

Executive Intelligence Review has released this Special Report to warn of the extreme danger to mankind represented by the Green New Deal, also called "The Great Reset" by the leaders of the Davos World Economic Forum.

Already being implemented, this plan is taking over the direction of national economies from sovereign governments, using the power of central banks and the too-big-to-fail private financial institutions, cutting off credit to fossil fuel power generation and to industrial and agricultural enterprises claimed to emit too much carbon. Meanwhile it is creating a new huge bubble in the "sustainable fuel" sector, hoping to prop up the increasingly bankrupt financial system.

Stopping it by returning to a Hamiltonian American System credit policy, requires an understanding which is the purpose of this report.

***EIR* subscribers who have received this Special Report as their 68-page Feb. 12 issue: Get an Offprint edition for someone you know who should have it!**

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