

Economics Briefs

Malthusian Policies Cancel Out Black Sea Grain Initiative

Printing paper can't produce grain; shouting at Russia doesn't produce it either, if physical economies are deliberately neglected and degraded. Great cries were raised this Summer by the U.S., World Bank, WFP, Oxfam etc., claiming Russia was blocking large volumes of invaluable Ukrainian grains from export. That led to the Russia-Turkey-Ukraine-UN agreement, called the Black Sea Grain Initiative. But falling American exports of grain, tragically, have cancelled it out.

The "20 million metric tons of Ukrainian grain" upon which world famine or African survival were claimed solely to depend, were not more than 10 million, and 7.2 million metric tons had been shipped out of Ukrainian Black Sea ports between July 21, when the Initiative was agreed to, and Sept. 30. This was reported by Reuters Oct. 13 from the Black Sea Grain Initiative under the UN. But an Oct. 12 U.S. Department of Agriculture [report](#) on American and world grains estimates, shows:

- A 3.6 million metric ton drop in U.S. wheat exports from the 2021-22 crop year to this 2022-23 year, with exports at 19 million metric tons the lowest in 50 years.
- A 1.9 million metric ton drop in world wheat supplies which USDA attributes entirely to U.S. and Argentina shortfalls.
- A 1.25 million metric ton reduction in U.S. corn production despite farmers switching to corn to get along with less fertilizer, and corn

exports from the United States are down about 3 million metric tons from the previous year. India and Ukraine corn exports are up, U.S. and Argentina down.

- U.S. rice exports will be the lowest since 1991-92.

In the United States and Canada, fertilizer prices have been out of control; "green finance" has demanded farmers use less inputs overall; rail bottlenecks have impeded grain transport; yields have been cut by worsening of an intensifying drought ignored for decades by successive U.S. governments. Malthusian U.S. policies have cost food to hundreds of millions.

Debts Bubbling as British Bond Crisis Spreads

British Prime Minister Liz Truss "buckled under" to the Bank of England, fired Chancellor of the Exchequer Kwasi Kwarteng Friday morning, Oct. 14, and then announced a reversal from lowering corporate taxes to raising them, effective April 2023. All of which caused British gilt (government bond) interest rates to fall once the policy change started to be leaked during Oct. 13 around the IMF/World Bank meetings. But those rates (at 4.6% for 10-year gilts) are still much higher than they were in late September (and well above U.S. Treasury rates) and are likely to start rising again.

A [Bloomberg article](#) Oct. 13, "U.K. Pension Funds-Selling Stokes Fear Across Global Bond Markets," made clear that the 2022 British Bond Crisis, as it will be called, will continue to spread. Its fundamental character is now worldwide: runaway inflation, arising from the oligarchy's failed

attempt to crush Russia (identified by Lyndon LaRouche since at least 2011), plus rapidly rising interest rates that were launched by the central banks' failed attempt to slam their own hyperinflationary policy into reverse. The double failure has hit corporations all over the trans-Atlantic world, and elsewhere, with a hammer: "margin call." Predominantly, the margin call is for dollars or dollar assets, which must be borrowed or raised by distress sales—and from the alarmed banks' standpoint, must be loaned.

The same thing happened in March-April 2020 in the so-called COVID pandemic collapse, and the U.S. Federal Reserve dollar-printing rate exploded and pulled U.S. Treasury borrowing with it. It is happening worldwide again, but with "advanced sector, investment grade" borrowing rates now 6-7% instead of 2-3%. From the *Bloomberg* Oct. 13 piece:

"U.K. pension funds are dumping assets to meet margin calls, and the reverberations are being felt everywhere from Sydney to Frankfurt and New York. In the U.S., investment-grade corporate bonds are falling, with average prices of around 86 cents on the dollar compared with 90 cents on Sept. 21. U.K. pension funds have contributed to the selling pressure in recent days, according to one Wall Street trading desk.

"In Europe, leveraged loans bundled into bonds known as collateralized loan obligations have been under pressure.... 'Investors fear further selling from U.K. liability-driven investment managers in response to margin calls, including selling of U.S. dollar high-grade credit,' JPMorgan Chase & Co. strategist Eric Beinstein wrote Wednesday [Oct. 12]."

Real Wages Fell Sharply for U.S. Industrial and Blue Collar Workers in 2Q2022

The latest [report](#) (September) from the Labor Department on real wages of American workers says they fell by 3.8% (weekly average) from September 2021. But there is a division of the workforce in this matter. According to a study just published by the Dallas Federal Reserve Bank and dealing with the second quarter of 2022, large numbers of workers, primarily in white collar employment, had an increase in real wages in that period. Only about 54% of all employed workers saw their real wages fall, especially in blue collar service work, industry, transportation, etc.—but for those workers, the median drop in real wages was very sharp, 8.6% at an annual rate.

Italian Central Banker Says High Energy Prices Needed To Finance Green Transition

Speaking at a meeting of insurance companies Oct. 11, Bank of Italy General Director Luigi Federico Signorini [said](#) energy prices must stay high to finance the green transition.

Signorini said that he agrees with many governments' support measures "to mitigate the immediate impact of extraordinary increases of energy prices," but it should be remembered "that such prices must increase in order to achieve our long-term targets in climate transition, targets which are made even more vital by the current transition." For the central banker, "the relative price signals should, in general, be maintained, including to balance demand and supply in current circumstances."

Signorini's remarks were prominently featured in a front-page article in the daily *La Verità*, titled "The Trap of Ecological Obsession: Bank of Italy Lets the Truth Out: 'Expensive Gas To Impose the Green'."

Putin and Erdoğan Propose Gas Hub in Turkey To Set Prices and Reach Europe

At the Conference on Interaction and Confidence-Building Measures in Asia (CICA), which took place Oct. 12-13 in Astana, Kazakhstan, Russia's President Vladimir Putin and Turkey's President Recep Tayyip Erdoğan met to plan new logistics for natural gas. Putin said that "Turkey is currently the most reliable transit country for gas supplies to Europe," and proposed, "We can consider building another gas pipeline and establishing a gas hub in Turkey for trade with third countries, first of all European countries, of course, but only if they are interested."

The proposal was apparently favorably received by Erdoğan. According to Press Secretary for President Putin, Dmitry Peskov:

"Instructions were immediately given by both Presidents—right during the negotiations—to work on this issue. Various options have even been discussed."

Putin also raised the prospect that his proposal for a gas pipeline and hub in Turkey would reshape the world's oil market:

"This hub, built by Russia and Turkey together, would serve as a platform for both supplies and pricing, as pricing is a critical issue these days. The prices today are exorbitant. We would be able to regulate them properly at a market level without any political implications. These prices are exorbitant now. We could smoothly adjust [them] at a normal market level."

Yes, Saudis and OPEC Did Declare War on the Oil Price Cap

The story put out last week was that the OPEC+ meeting in Vienna wasn't defying the Biden Administration, after Biden's team aggressively lobbied the OPEC+ members not to cut any oil

production. The OPEC+ meeting stunned Washington with a cut far exceeding the 1 million barrels per day that Washington had feared, announcing a cut of 2 million. But one and all contended that it was just a business decision, not political.

On Oct. 11, Indonesia's Finance Minister Mulyani Indrawati, in an interview with *Bloomberg News*, was more blunt. Based upon discussions that she had had with Saudi officials, she reported on the shared concern over the "price cap" policy of NATO. They wondered, who knows what country and commodity would be targeted next? "When the United States is imposing sanctions using economic instruments, that creates a precedent for everything." Such a move only creates instability, "not only for Indonesia, for all other countries."

"The Saudi and OPEC response to this," Indrawati stated, "is because of exactly that."

LNG Price: The U.S. Vise Grip on Germany and Europe

At the end of 2019, the cost of American liquefied natural gas (LNG) in Europe was approximately \$5.50/MMBtu (million metric British thermal units). At that time it had doubled in six months in the commodity inflation unleashed in the fall of 2019 by the Fed; its price was then estimated by Russian Deputy Prime Minister Aleksandr Novak to be 40% higher than Russian natural gas by pipeline.

Since then it has not, obviously, been sanctioned, its supply has somewhat increased and been diverted from Asia to Europe. But its price in Europe now is \$14/MMBtu. This is what even Germany's Economy and Environment Minister Robert Habeck (Greens) was moaning about to the *Osnabrücker Zeitung* Oct. 5, that "friendly countries" are robbing Germany with their high energy prices.