

# The Economic War with Russia and China. The Economic and Geopolitical Impacts of the COV-19 Lockdown

(It's about the political economy, stupid!)

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*The major reason for Cuba's travel restrictions---- always used as grounds for slandering the Cuban state-- is the extreme difficulty Cuba has maintaining foreign exchange reserves essential for international trade---- esp. since the end of trade--in--kind with the COMECON. Every traveller from Cuba spends pesos that have to be covered by Cuba's USD or EUR reserves. Since there are already more than enough obstacles imposed by the US embargo, every forex transaction is critical for Cuba's balance of payments-- -- for its ability to buy what it cannot produce. In fact those who can still recall crossing from West Berlin to East Berlin will also remember that it was necessary to exchange DM 30 for M30 for every day one spent in the GDR. This was heavily criticised in the West, especially by travellers who would complain that it was impossible to spend the M 30 in a day since everything was so inexpensive. Of course the GDR was trying to compensate for the discriminatory exchange rates that made trade with the West a drain on its foreign currency reserves.*

While many ordinary visitors complained and the Western media encouraged Germans in the East to complain about the buying power of the GDR mark, the fact is that throughout the world national economies only survived the Bretton Woods regime as long as they maintained currency controls. A major element in the economic warfare waged by the US Empire since 1945 has been to abolish fixed exchange rates. Having rigged the post-war international monetary regime to replace the British pound with the US dollar as the benchmark currency, the International Monetary Fund and World Bank were deployed to stabilise the US dollar with advantage over the old European currencies.

Although officially these were international institutions, they were organised like private corporations. The decisions were to be made by the majority of shares held in the IMF or World Bank. Since the US held the majority of capital in both, it was endowed with the most votes over any Fund or Bank decision. The quasi--currency of the Fund and the Bank was called special drawing rights (SDR). These units of account were based on a weighted value of the underlying "reserve" currencies, mainly the USD. SDRs could be used to resolve balance of payments discrepancies. Members of the IMF were extended SDRs according to the relative strengths of their economy. Based on the SDRs allocated to a country it could draw dollars or another reserve currency in amounts sufficient to pay temporary imbalances between imports and exports, transactions that after WWII were almost all USD business.

As the late Jamaican **Prime Minister Michael Manley** once pointed out---- when the Bretton Woods agreements were signed most of the countries, like Jamaica, were still colonies or protectorates of some European or North American power. Hence no provision

was made for them to even have independent economies or national currencies. As a result most of the world's population and any of the newly independent countries that did not adopt a version of a Euro-American currency had no way to monetize their economic activity in international trade. They were left entirely dependent upon the USD, GBP, and for foreign trade of any kind. In order to limit USD hegemony in Africa, the French invented the CFA-franc. This African franc tied its former African colonies to France by giving the CFA-franc a favourable exchange rate with French franc, although not parity. Overall however the post-war independence movements were all faced with the inherent dependence of their currency systems from the machinations of US and European banks with their control over the two major foreign exchange markets, the City and Wall Street. The exceptions to this regime were the Soviet Union and COMECON as and after 1959 Cuba.

When the US economy faced possible financial collapse toward the end of its war in Vietnam (it had been fairly successful in transferring the costs of the Korean War to the "United Nations"), secret negotiations by the Nixon administration with the Kingdom of Saudi Arabia and through their offices

within OPEC, saved the USD by abolishing the gold fixing and establishing the USD as the sole currency for the world oil trade. At one fell swoop any country that did not have domestic oil supplies or had to trade oil on the world market was forced to use US dollars. To prove the point the US regime has never hesitated to wage war against any OPEC member that does not comply with this iron rule. Of course the US is the only country which can issue US dollars and its banks are the only ones who can sell USD denominated debt, directly or indirectly, hence the central role of the Federal Reserve System---- the private banking cartel chartered to issue dollars and control US monetary policy. The US regime has also pursued rigorous policies---- even if not always entirely successful---- to draw all those dollars back into US assets or to permit US entities to acquire foreign assets through the unlimited capacity to generate USD and to monetize private business (while on the other hand prohibiting the monetizing of public debt for social services, infrastructure etc.)

This is the context in which the current economic war with China and to a lesser extent with Russia has to be seen. This economic war entered a new phase with the Wuhan attack.

*Fast-forward:* European and US authorities order various degrees of "lockdown" and international travel, even within the EU itself, comes to a virtual halt. Airlines, hotels, and the rest of the travel sector have practically no more than essential business. The transport sector is also substantially restricted. The everyday economy is almost in coronary arrest.

What are the *benefits* of the general lockdown in the West? Is it really possible that the corona virus was so shocking that the economy as a whole was only an afterthought? Are we to believe that it was merely an oversight on the part of government to contemplate contingencies for epidemics but not for economics? It would be nice to think that Western governments care so much about the health of their citizens but that is rubbish. What is really very important---- in fact, it is the only important issue for those who own our governments is MONEY and of course the power that goes with it.

What are the immediate consequences of the lockdown in economic terms?

- restriction of travel by masses of a generally mobile and consuming population (at least in the EU)
- restriction---- soon to reach extinction of a substantial percentage of SMEs

- obstruction of supply chain transactions, not least of which with China
- increased unemployment beyond the already deliberately understated figures.
- inevitable price increases, whether scarcity induced or because of added “safety” costs
- the creation of potential for a layer of corruption and contraband traffic that will not only raise the prices of everyday life but partly criminalise it.

At the same time we have heard more than a few reports of new QE aka (giving trillions to so-called banks). [1]

In the Western media one finds accusations that China caused the “corona crisis” to benefit from a fall in asset prices (not only stock markets but also for businesses damaged by the lockdown) to buy them up on the cheap. Personally I follow a golden rule when reading Western official statements, whether directly from regime mouthpieces or through their Great Wurlitzer: what they accuse is what they are hiding. It is like that classic scene in many a classroom: the bully slaps another pupil. Pupil slaps back and bully screams. The teacher only sees the return slap and never the first strike. The slapped pupil is punished and the bully rewarded.

If we ask critically what the new QE is supposed to do---- is it to protect all these banks from another 2008 failure? No, not really. Instead it is to fill the “banks” with cash for pre-emptive buying following the price crashes so that China can be blocked out of any further investment in the West’s critical sectors.

It is also survival money so that all the defaults and bankruptcies in the SME sector can be written off without damaging the overall profit line.

In other words a) and b) can be directly linked not only to strategic population control objectives, linked also to the now infamous universal vaccination programme, but also to the imposition of currency controls. In Europe, fewer euros will flow to China and in the US obviously the USD flows will be reduced. c) The disruption of supply chains is mainly an organisational measure. This will reduce the number of channels by which China can trade in the West. In the first stage it will also facilitate the consolidation of the economy in fewer hands so that those supply chains can be better managed from the top.

d) As argued elsewhere, purchasing power has declined steadily over the past thirty to forty years for most of the working population on both sides of the Atlantic. There is a need for a fundamental demographic adjustment. Germany for instance has used imported labour since its reestablishment in 1949. First it was a substitution for labour shortages immediately after its defeat by the Soviet Union. The so-called Economic Miracle---- the reconstruction period---- in large part funded by orders from the US war machine in Korea---- quickly absorbed its available German labour force. Hence it started to suck workers from impoverished Italy and Greece. If the German government is to be believed, then the domestic labour force is too old or too small to meet current demands, hence while domestic workers are under house arrest, the flow of persons displaced by NATO wars, e.g. in Syria, continues uninterrupted. Thus the new generation of industrial and technical labourers at the bottom of the German social hierarchy will not be Turkish but Arabic speaking. There is no reason that they will be able to return to their homes any time soon since NATO is not finished destroying them.

At the same time the crushing of the domestic small and medium sized sector will---- as it always has---- have a positive effect by forcing wages down even more. If the virus is really as effective as some claim at killing people aged 60 and above, then the state pension funds will be able to declare surpluses soon, net revenues from immigrants and a sudden decline in beneficiaries. This sounds cynical but the insurance model for social security installed under Bismarck anticipated much shorter lifespans and fewer eligible retirees than today. The government's plan to raise the retirement age to 70 cannot solve the problem because there are no jobs for these 65+ citizens. Hence they have to live from savings or the dole. Better just let them die.

If there is an economic meltdown in the West, then these assets have to remain denominated in USD/ EUR denominated in order to prop up these currencies and preserve the fortunes of dollar/ euro/ or sterling billionaires.

Now add to this the lockdown and recall the case of CUBA.

The lockdown makes good economic sense from the commanding heights of the Western economy! By more or less crushing the SME sector with its increasing exposure to China, e.g. import of components and finished goods for resale, a substantial foreign exchange gap is closed. China is deprived of these payments. Thus foreign trade with China becomes ever more concentrated in the few cartels that share control over the monetary policies of the FED, Bank of England and ECB.

For normal mortals this is insane, why would the West want to crush the lower third of its economy? For years people have been whining about the 1% but otherwise not doing very much about it. In fact, the 1% can live very well without most of the normal economy as long as they have currency stability for their stores of wealth in the world.

Not only travellers, like for Cuba, but much of the real economy, constitute a genuine risk to the monetary system the great Western private banks created in the BoE, in 1913 with the FED, and later with the ECB. The ECB and the euro can be sacrificed as long as the USD and GBP remain world standards.

e) One of the virtues of the system which could emerge as a short-term or medium-term result of the lockdown and its associated policies and practices is the creation of a new class of criminal activity---- the real economy. Since it is unlikely that the West can suborn China and together with Russia impossible, the West has an obvious potential as far as I can see has hardly been mentioned. Perhaps it is worth recalling from mainstream history the narrative of feudalism: the peasants were tied to the land. The aristocracy and royalty fought over land plus the chattel (the people occupying and working the land). Movement from the land was forbidden without permission by the feudal lord (a prohibition also enforced by the Church, e.g. through the Inquisition). Pursuing a craft or trade was almost only possible in cities, which may or may not have been "free". The details can be found in most standard history books about this period.

However we have almost no peasantry left---- something that can be detected in the abysmal quality of food found in countries like Germany, the Netherlands, Belgium, Great Britain. Instead there are only "free labourers" some of whom imagine they own their homes. Immediately after the collapse of the GDR any traveller could see an explosion in the number of hairdressers and small restaurants or similar personal service enterprises. Much of this business was the desperate attempt to recover earning capacity after West

German government and business closed GDR factories and other employing institutions causing an explosion in unemployment that is still vastly understated and concealed by half-hearted social policies. These businesses are vulnerable to taxation and other cost-intensive regulations that are characteristic of modern bureaucratic states like Germany. It is also no wonder that they offer little more than a marginal income that often has to be compensated by some other job or social benefit.

At present that is all very exhausting and frustrating for the vast majority of people in this low-income sector. Yet it is still legal. The first step toward terrorizing the bulk of the soon to be even more under- or unemployed is to restrict or effectively prohibit the personal service sector--- for health reasons. Now it is almost impossible to get a haircut or a manicure anywhere because these businesses have been forced to close as part of the policy of "social distancing". Reality however knows no such prohibitions. Those people who have no other means of earning a living except personal services and those who need those services will find a way to meet and transact business.

This is where the spirit of Mr Gates is especially pernicious---- but not simply because of some billions more that he may steal. What Mr Gates, as the poster boy, and the whole public health paramilitary/ civil affairs regime that is nascent as I write offer us---- or may well force upon us---- is spiritually and socially akin to the Prohibition regime created by the Volstead Act in the US. Prohibition was introduced ostensibly to control alcohol abuse. However it failed to get substantial legislative support until people like Henry Ford---- then along with Rockefeller one of the world's richest men---- insisted that Prohibition would give them the power to destroy the meeting places of immigrants, especially those from Eastern and Southern Europe where beer and wine were integral to social life. Forbidding alcohol to people who for centuries considered wine and beer part of their diets was a serious attack on their private and family lives. However since this was a "health" issue the Volstead Act did not violate any constitutional rights. Any place could be closed for serving alcohol of any kind. The meeting venues for almost all immigrants could be shut by armed police wholly within the law.

Although this was a draconian law, it was not really enforceable. In fact, the famous Kennedy political dynasty was only one family whose wealth came from breaking the law. At no time during the period of Prohibition in the US was the ruling class deprived of intoxicating drink. Moreover the covert sale of alcohol, the bribery of police and other officials, the payment of protection money to gangsters, created an entire corporate structure, which survives today although its product range is based mainly on opiates. The illegal and legal drug businesses constitute one of the main pillars of USD supremacy, along with oil and weapons, but that is just a detail here.

The important point here is that the culture of prohibition has clearly mutated into the field of "communicable disease", i.e. highly infectious viruses. Whether or not Mr Gates and his friends will succeed in their ID2020 scheme---- vaccine or subcutaneous identity chips-- is certainly a very serious question. But even if this particular model does not get forced under our skin, the struggle in the lower half or third of the population to survive through personal services and hospitality will become a target for the same kind of parasitical class that developed and enriched itself under the Prohibition regime, and in the environment of permanent war (which was what 1984 most nauseatingly described) scarcity and corruption are designer processes---- intended to punish and discipline the majority of the population while extracting every bit of surplus from their already meagre incomes. This artificially created illegality will empower a class of people who profit from serving it and have no

interest whatsoever in return to normal human relations. The already immanent price increases and due to increased unemployment parallel decline in wages---- with the risk that one can be excluded from work or income for “health” reasons---- will further enrich those at the top while undermining solidarity downward as people become caught in the net of this policing regime.

Therefore it is absolutely essential to resist any further imposition of this state of siege. In this matter, I cannot help paraphrasing some otherwise noxious colonial from the 18th century: we must all be sick together, or each of us will be sick separately---- in isolation.

There are some people who read George Orwell’s books as prescriptions; after all he spent his last years working for an office in the British “Ministry of Truth”. Then there are those who completely misread his books as attacks on the Soviet Union and communism. However those who read his books carefully will see that he understood the spirit and actions of his employers very well. Orwell’s fiction is ambivalent, like his entire career and his nonfiction works as well. Perhaps the best way to understand them is as the diaries of a colonial police officer, who knew his duty and no matter how disagreeable did it. That duty was to hold down the hands and feet of the ruled while the rulers emptied their pockets. Orwell knew he was working for gangsters, but he needed the job. That was the price he paid.

AND yes, if Madeleine Albright was ready to see half a million Iraqi children dead for the policies she was appointed to represent, you can bet that some 60 million, dead or enslaved, is also a price the 1% find worth paying to keep their privilege on this planet intact.

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## Note

[1] QE = *quantitative easing*: a term of financial jargon used by the US Federal Reserve System to denote privileged financial support to the top tier “banks” to prevent them from suffering (or collapsing) under the weight of their own elaborate extractive operations, e.g. debt siphons and gambling rackets. The mechanism involves the quasi--governmental (but actually privately owned and managed) Federal Reserve System purchasing the “bad” or uncollectible debts or gambling chits of these top tier “banks” by issuing Treasury obligations (e.g. so--called T--notes), basically certified claims that these “banks” may then assert against the US government to siphon tax receipts and other public income into their coffers. These claims are negotiable too, meaning they are traded on financial markets and can be used like money to buy non--financial assets.

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