



California Water and Infrastructure Report

For January 23, 2020

by Patrick Ruckert

Published weekly since July, 2014

An archive of all these weekly reports can be found at both links below:

<http://www.californiadroughtupdate.org>

<https://www.facebook.com/CaliforniaDroughtUpdate>

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A Note To Readers

The **Feature** this week focuses on the remarkable presentation by President Trump at the Davos Economic Forum, which, perhaps shocking many, the president, in the last eight minutes of his speech, he invokes the Renaissance idea of human creativity as the driver for human progress and our ability to solve problems. Describing the building of the magnificent cathedral of Florence, Italy, as an example, Trump stated that even though when that project began in the 13th century no one knew how the cathedral's great dome could be built, yet the city officials proceeded, knowing that that problem would be solved. And it was 140 years later.

Great infrastructure projects are like that. It was said that building the Transcontinental Railway in the 1860s was impossible; that building the Grand Coulee Dam was impossible. And I am sure, at least for those of you who are old enough, can remember hearing that putting a human on the Moon was impossible.

The Rest of This Week's Report

While Los Angeles and the Bay Area seem to have received a lot of rain so far this winter, the story is a little different for the rest of the state, especially the Sierras. And the Northwest got some snow.

Water in California is always the subject of conflict, discussion, debate, plans and, in general, frustration. The governor's just announced *Draft Water Resilience Portfolio* continues that tiring routine. Attempting to please everyone and not offend any-- usually results in not pleasing anyone and

offending everyone. We report on the governor's plan.

There are a few new developments in the PG&E bankruptcy proceedings that are worth noting, which you will find under the title, "PG&E, Once Again," below.

The President spoke before the national conference of the American Farm Bureau this week, and our coverage includes discussion of the trade deals with China and the new one with Canada and Mexico.

"If the Wall Street Journal's report on Jan. 14 was accurate, officials of the Federal Reserve are 'considering' breaking the law (the Federal Reserve Act) to print large amounts of new money and pump it directly, daily, into the super-speculative financial derivatives market, like using a military-grade flamethrower to raise a hot-air balloon." So begins our section on the economy and the financial system.

Finally comes our **Feature** with the appropriate sub-title: "Trump Slams Malthusians, Promotes Creativity & Growth."

Wither the Weather?

Los Angeles and the Bay Area may think that precipitation this winter is plentiful, but for the rest of the state, especially the Sierras, that is not the case. Meanwhile, the storms in the Northwest have reversed what two weeks ago appeared to be a serious drought developing.

Precipitation total continues to lag below normal

- THE RECORDER recorder@portervillerecorder.com
- Jan 22, 2020

https://www.recorderonline.com/news/precipitation-total-continues-to-lag-below-normal/article_909a7a46-3d36-11ea-b40c-6f83cf79a745.html

There hasn't been enough moisture this year so far to keep up with what's normal.

The Southern Sierra 6-station index which covers the Tulare Basin, stood at 78 percent of normal as of Tuesday as far as the precipitation level. The Tulare Basin covers the San Joaquin Valley.

Even with last week's heavy storm, the Lake Tahoe area is also still below its normal precipitation level. The Central Sierra 5-station index, which measures precipitation for the Lake Tahoe area, measured an average 75 percent of normal as of Tuesday. The average snow water equivalent for Lake Tahoe is 1 foot, 2 inches while the precipitation level as of Tuesday is 40 percent of the normal level for April 1.

The Southern Sierra index is at 38 percent of normal for April 1 and has measure a snow water equivalent of 9.7 inches.

The Northern Sierra 8-station index, which covers Northern California, was at 80 percent of normal as of Tuesday and 43 percent of the April 1 normal with an average snow water equivalent of 1 foot, 6 inches.

The Northern Sierra 8-station index measures water in areas that are crucial for water customers throughout the state, especially in Southern California Southern California.

And much of Southern California rainfall is above normal. San Diego is at 159 percent and Los Angeles is at 117 percent. Santa Barbara, on the Southern Coast, though, is at 76 percent of normal, down from 103 percent at the end of last year. Riverside is at 87 percent, down from 118

percent at the end of the year.

But the entire state's precipitation level remains below normal at 79 percent as of Tuesday and at 41 percent of the April 1 average. The statewide average snow water equivalent is at 11.6 inches.

Snowstorms boost Pacific Northwest's anemic snow packs in just 2 weeks

*By The Associated Press
January 15, 2020*

https://www.registerguard.com/news/20200115/snowstorms-boost-pacific-northwests-anemic-snow-packs-in-just-2-weeks?fbclid=IwAR0rMWvWEG5DIEzZQ2t3zh2_Y2I1x5qCB_R7mcTBMrOec5kj5v49HzFLus

Widespread snowstorms have boosted the Pacific Northwest's previously anemic snow pack to almost normal levels statewide in just two weeks.

The biggest improvements in what is called "snow-water equivalent" — the amount of water contained in the snowpack — are in the Hood, Sandy and Lower Deschutes basins in Oregon. Those areas were at 26% of normal on Dec. 30 and are now at 95% of normal, the Capital Press reported Wednesday.

Last year saw something similar unfold in Oregon, when a series of storms hit in February that boosted what had been a lagging level of snow-water equivalent.

This year, statewide the snow-water equivalent increased from 45% of normal to 79% of normal between Dec. 30 and Jan. 14, according to the USDA Natural Resources Conservation Service, which tracks the measurements.

Snowpack is a crucial source of water for farms, especially in Eastern Oregon where it rains far less than it does west of the Cascades. As snow melts, it trickles down into creeks and rivers, sustaining healthy stream flows while providing irrigation supplies for crops and livestock.

Washington's snowpack was similarly bleak at the start of the new year, at just 47% of normal statewide. It too has rebounded dramatically, up to 88% as of Jan. 14.

The South Puget Sound, Lower Yakima, Lower Snake, Spokane and Upper Columbia basins are all at or near average for snow-water equivalent, after they were no higher than 65% of normal a few weeks ago.

Like Oregon, Washington has experienced several feet of new snow in the Cascades early in the week.

California Water Wars: Will It Ever End?

Probably not. At least not until we decide that conserving water and moving it around, in the end, means that one day the entire water management system collapses. Then, perhaps, we will think big once again and build the North American Water and Power Alliance and a few dozen nuclear-powered desalination plants.

The governor announced the state's over-all policy and plans this week. We begin with a few excerpts of an article on that. Then, a couple of articles on the most contentious element of the plan-- going forward with the Delta Tunnel. That is a single tunnel, since Newsom canceled Jerry Brown's plan of

two tunnels.

Newsom Wades Into Decades-Long Bid to Wring More Water for California

January 21, 2020 NICK CAHILL

<https://www.courthousenews.com/newsom-wades-into-decades-long-bid-to-wring-more-water-for-california/>

SACRAMENTO, Calif. (CN) – It didn't take long for Gavin Newsom to dive head-first into a political onion that has bedeviled a long list of capable and successful California governors.

Hours after being elected in 2018, Newsom and his predecessor Jerry Brown intervened in a decade-long fight by convincing regulators to stall a plan requiring farmers and cities to leave more water in Central Valley rivers for salmon. Months later, Gov. Newsom announced during his first major speech he supported downsizing a prickly \$17 billion plan to tunnel underneath the state's main estuary to deliver more water to the thirsty south state.



Site of the potential intake for the delta tunnel project in the north Sacramento-San Joaquin Delta, near Freeport.
(Katie Cahill /CNS)

The moves signaled to the myriad actors in California's water drama that Newsom wouldn't shy from the state's notoriously complex and ceaseless water wars as governor.

With a year's experience under his belt, Newsom is making his next move with a recently released game plan his administration claims will protect the state's most precious commodity from climate change. The water portfolio lists over 100 actions and while many are forward-thinking and do things like improve drinking water quality, boost efficiency in urban and agricultural water use and favor voluntary water agreements instead of state mandates, it also endorses billion-dollar projects that flopped under past governors.

The first draft was well received by farmers, water districts and others in California's water circle, but critics are worried the innovative and cheaper options are already taking a backseat to the megaprojects as Newsom begins his second year in office.

Over the last year, the state held over 20 meetings and solicited "broad input" from groups, local leaders and tribes across California. The resulting document doesn't offer a "quick or singular fix" but touches on ways to improve physical infrastructure and water transfers, implement new recycling programs, improve soil health, wetlands expansion and even restore the Salton Sea.

But the possibility of Newsom finding common ground with the feds on water seems unlikely: This past November, he [threatened](#) to sue the Trump administration over its future plans to increase water for the state's agricultural hub in the Central Valley. Not to mention California is currently fighting more than 60 legal battles against the Trump administration.

Positive reactions came flooding in from water managers and the agricultural industry after the

portfolio's release.

The Association of California Water Agencies said it was “encouraged” by many of the portfolio’s recommendations and the California Farm Bureau Federation “appreciates its substance and its urgency.” The State Water Contractors also applauded the support for improving conveyance systems and for a delta tunnel, a project it stands to benefit from.

Return of the delta tunnel

Yet rather than pick off some of the smaller actions that fishing groups and conservationists contend could have a more immediate impact – such as scale back agricultural water use and increased flows in the state’s major rivers – Newsom is linking himself to perhaps the most controversial water project in recent state history.

On Jan. 15, the state filed paperwork to officially begin the environmental review process for a multibillion-dollar tunnel that would divert water from the Sacramento-San Joaquin River Delta.

“Gov. Newsom directed state agencies to pursue a single tunnel solution to modernize our water infrastructure, and when combined with the broader, statewide portfolio approach, this project would help safeguard a vital source of affordable water for millions of Californians,” said Department of Water Resources director Karla Nemeth in a statement.

Newsom [halted](#) the project this past May after former Gov. Brown struggled for eight years to clear environmental reviews and secure funding for the mammoth project that originally proposed two 30-mile tunnels underneath the West Coast’s largest estuary. The delta is the state’s water savings bank and supplies water for thousands of farms and more than 27 million residents.

Like versions offered by Brown and before that Gov. Arnold Schwarzenegger, Newsom’s tunnel doesn’t create a new water source or promise to fix shortages during droughts. But proponents say it’s a long overdue infrastructure update and will help ward off damage to crucial aqueducts caused by earthquakes and rising sea levels.

The specifics, such as size and cost, are still being worked out but the state may collaborate with the feds and the finished product could take up to 13 years. According to the state, the environmental impact report will address potential effects on delta water quality, fish and aquatic resources, cultural and tribal resources, and geology.

Politicians have also chirped in on the portfolio, including U.S. Rep. John Garamendi. The portfolio suggests the state fast-track a reservoir in Garamendi’s Northern California district that would be the largest built in the state in decades.

“Our state needs to make forward-looking investments to meet its future water supply needs, and Sites will benefit farmers, our communities and the environment,” Garamendi said in a statement. “I’m pleased to earn Governor Newsom’s full-throated support for this off-stream reservoir, and I strongly support his proposal to expedite state permitting and approval requirements for the project.”

It never rains in California – it only pours

The Sites Reservoir would be an “off-stream” project, with most of its water coming indirectly from the state’s largest river, the Sacramento. The mammoth \$5.1 billion project would become California’s seventh largest reservoir if completed.

California Moves Forward With Delta Tunnel

January 17, 2020

[Erica Berardi](#)

<https://www.enr.com/articles/48538-california-moves-forward-with-delta-tunnel>

The California Department of Water Resources says it will start environmental review of the Delta Conveyance Project, a single-tunnel, dual-water conveyance plan that aims to modernize infrastructure and restore and protect water supply in the Sacramento-San Joaquin Delta.

The project is a part of California's [Draft Water Resilience Portfolio](#), released Jan. 3 by California Gov. Gavin Newsom and is a derivative of [California WaterFix](#), a twin tunnel program supported by former Gov. Jerry Brown but killed by Newsom in favor of a single-tunnel solution. WaterFix, a \$17-billion project, was opposed by some water agencies and environmental groups, including the Natural Resources Defense Council, because of its cost and its potential impact on threatened and endangered species. The new tunnel faces similar opposition.

With expectations that the environmental review and permitting process will take three years, construction on the new project can not begin until at least 2023, and the Department of Water Resources expects the overall conveyance project, if approved, will take 13 years to construct and commission, says Erin Mellon, assistant director of DWR's public affairs office.



An aerial view of the Sacramento-San Joaquin Delta. Photo courtesy of the California Department of Water Resources.

The proposal calls for a single main tunnel and pumping capacity that would accommodate a total of 6,000 cu ft per second through two intake facilities. In addition, the plan includes construction of tunnel reaches and shafts, forebays, and pumping plants, which would likely require building access roads, barge unloading facilities, concrete batch plants, fuel stations, mitigation areas and power transmission and distribution lines.

Cost estimates, as well as a cost-benefit analysis and a financial analysis, will be developed during project planning, Mellon says.

The project would be funded by the State Water Contractors (SWC), a non-profit association of 27 public water agencies, which purchases water from the California State Water Project, a DWR-operated, 700-mile water storage and delivery system of reservoirs, aqueducts, power plants and pumping plants that supply water to 27 million people in California.

California's current conveyance system—which moves large portions of California's surface water supply—faces major vulnerabilities including floods, subsidence, earthquakes and climate change, says Mellon. "This project is crucial to ensuring the long-term reliability of this major water supply."

Meanwhile, Jeffrey Kightlinger, general manager of the Metropolitan Water District of Southern California, a state-established cooperative that supplies water to 19 million people in six counties, calls the plan “welcome progress” on a long-overdue upgrade to the state’s water delivery system.

California governor restarts giant water tunnel project

By ADAM BEAMtoday

January 16, 2020

<https://apnews.com/f2b187166795fb8fddbadee1f930c295>

SACRAMENTO, Calif. (AP) — California’s governor has restarted a project to build a giant, underground tunnel that would pump billions of gallons of water from the San Joaquin Delta to the southern part of the state.

PG&E, Once Again

One year ago PG&E declared bankruptcy, facing as much as \$50 billion in liabilities for fires that were determined to have been started by PG&E equipment. There are a few new developments in the bankruptcy proceedings that are worth noting. Both PG&E and the governor are in conflict on how the company can emerge from bankruptcy. Of course, the bond holders wish to loot the company and the rate payers, as represented by the predator fund Elliott Management of Paul Singer.

The articles excerpted below provide a battle report, of sorts.

But first, if you have not read it, I urge the reading of my report on this published last November:

AS HALF OF THE STATE GOES DARK

Green Insanity and Electricity Dereg Set California on Fire

by Patrick Ruckert

Executive Intelligence Review

November 15, 2019

https://larouchepub.com/eiw/public/2019/eirv46n45-20191115/48-56_4645.pdf

PG&E makes breakthrough bankruptcy deal, but Gov. Newsom slams California utility again

By Dale Kasler

January 22, 2020 03:33 PM

<https://www.sacbee.com/news/california/article239514508.html>

PG&E Corp. made a landmark agreement with its bondholders Wednesday that wards off a hostile takeover attempt, but the utility encountered fresh headwinds from Gov. Gavin Newsom over its plans to exit bankruptcy.

After months of squabbling with the hedge funds that hold billions in bond debt, PG&E said it secured

a compromise plan with those investors. PG&E now has made deals with three of the main groups in its Chapter 11 bankruptcy case: wildfire victims, insurance companies and the bondholders.

“This agreement helps achieve our goals of fairly compensating wildfire victims, protecting customers’ bills and emerging from Chapter 11 as the utility of the future,” said PG&E Chief Executive Bill Johnson. Spokesmen for the bondholders declined comment.

Yet the company must still make peace with Newsom, who voiced strong objections Wednesday’s to PG&E’s plan to finance its exit from bankruptcy. The irate governor renewed his warnings that the state might take over the company if his demands for a “transformed utility” aren’t satisfied.

“They have to file a new plan,” Newsom’s spokesman Nathan Click said in an interview.

In a filing in U.S. Bankruptcy Court, lawyers for the governor officially protested PG&E’s request for court approval of its financing proposal, which calls for the utility to borrow billions of dollars in order to pay its bills and exit bankruptcy. Newsom said the plan is too heavily weighted with debt, hurting PG&E’s ability to strengthen its electrical grid and reduce wildfire risks.

Newsom’s lawyers complained that the PG&E plan would leave the utility with “insufficient financial flexibility to make billions of dollars in critically needed safety investments.”

Newsom filed his objections about two hours before PG&E announced it had reached a truce with its bondholders following several weeks of negotiations.

The bondholders had been trying to take over PG&E for months [and put PG&E on the defensive](#) last September when they got support from wildfire victims on a plan to pay \$13.5 billion for damages.

PG&E complained that the bondholders’ takeover would essentially wipe out shareholders’ investment in the company. But it wasn’t until PG&E matched the bondholders’ \$13.5 billion payout offer — and won the [backing of the fire victims](#) — that the utility regained the upper hand.

In settling their differences, the two sides compromised on a dispute over how much PG&E owes the bondholders for as-yet unpaid interest on their bonds. Details of the settlement were unclear Wednesday, but PG&E said in a press release that ratepayers will save about \$1 billion through the compromise.

But even as the bondholders have dropped their fight, objections to PG&E from Newsom continue to loom large in the utility’s effort to pull out of bankruptcy.

Newsom last month rejected PG&E’s proposed bankruptcy reorganization plan, demanding that the company be [“radically restructured](#) and transformed” with new leadership and a greater emphasis on wildfire prevention. PG&E filed for bankruptcy nearly a year ago while facing billions in liabilities from the 2017 wine country fires and the November 2018 Camp Fire. The fires killed more than 100 people combined.

In Wednesday’s court filing, Newsom’s lawyers warned that the company must make changes that “are not insubstantial or cosmetic.”

The clock is ticking: PG&E must exit Chapter 11 by June 30 to be eligible to tap into a [\\$21 billion insurance fund](#) created by the Legislature to help cushion utilities from damages from future wildfires. The insurance pool is funded equally by utility shareholders and ratepayers. The ratepayers’ share comes from extending a \$2.50 monthly surcharge on utility bills, left over from the energy crisis, that was supposed to expire this year.

California governor urges judge to reject PG&E bankruptcy

Jan 22, 2020

By MICHAEL LIEDTKE

<https://www.kcra.com/article/preliminary-hearing-date-set-east-area-rapist-case/30632852>

SAN FRANCISCO —

California Gov. Gavin Newsom is urging a federal judge to reject Pacific Gas and Electric's blueprint for getting out of bankruptcy and renewing his threat to lead a bid to turn the beleaguered utility into a government-run operation.

In a court filing Wednesday, Newsom's lawyers gave a sternly worded rebuke of PG&E's plan, escalating the intrigue in the year-old case that will determine the fate of the nation's largest utility. PG&E is trying to dig out of a financial hole created by more than \$50 billion in claims stemming from a series of catastrophic wildfires that have been blamed on the San Francisco company.

The Democratic governor's misgivings cast more uncertainty on PG&E's hopes to emerge from bankruptcy by June 30 even as it makes progress on other fronts. The San Francisco company rid itself of another irritant Wednesday by striking a deal with a group of bondholders that had been pushing a competing reorganization plan that had been opposed by PG&E's management.

PG&E Wins Support From Key Bondholders for Restructuring Plan

Mark Chediak and Steven Church

[Bloomberg](#)

January 23, 2020

<https://finance.yahoo.com/news/pg-e-wins-support-key-235719414.html>

(Bloomberg) -- After spending almost a year at war with some of the biggest names in the financial world, bankrupt utility PG&E Corp. has finally got them on its side. Now it needs to win over California's governor.

Late Wednesday, PG&E reached a settlement with noteholders led by bond giant Pacific Investment Management Co. and activist investor Elliott Management Corp., who sought to derail the company's \$46 billion restructuring plan. The deal turns some of PG&E's most formidable adversaries into backers of its turnaround proposal, bringing the company closer to gaining approval by a state deadline of June 30 and emerging from the biggest utility bankruptcy in U.S. history.

There's one problem: Governor Gavin Newsom, whose backing is crucial to PG&E's restructuring, is still trying to block its plan. He rejected the proposal last month, raising concerns about its financing and governance. And the company has "yet to make a single modification" to ease them since, the governor said in a court filing less than two hours before PG&E announced the deal with bondholders.

President Trump and Agriculture

While the president has reached a trade agreement with China in which China will purchase \$300 billion in U.S. manufactured goods and agricultural products over the next two years, his conflict with the environmentalists still has him siding with farmers against them.

The President spoke before the national conference of the American Farm Bureau this week. Some excerpts from the report on that follow:

Online extra: Trump outlines administration's work on agriculture

January 22, 2020

By Dave Kranz

<http://www.agalert.com/story/?id=13629>

Saying he had kept his promise to do everything at his disposal "to protect the American farmer and restore the full strength of American agriculture," President Donald Trump described actions his administration has taken on trade, regulatory reform and other fronts on behalf of farmers and ranchers.

Trump spoke Sunday to the American Farm Bureau Federation Annual Convention in Austin, Texas—the third year in a row the president has spoken to the nation's largest farm organization. He also pledged to return to next year's AFBF convention, which will be held in San Diego.

The president opened by focusing on two trade agreements finalized in the days before his AFBF speech: a Phase 1 agreement with China and the U.S.-Mexico-Canada Agreement ([see story](#)).

Describing the China agreement as a "landmark," Trump said China will now purchase \$40-50 billion in American agricultural products annually, tripling U.S. farm exports to the nation. He said the agreement resulted from "two years of hard-fought negotiations," and thanked farmers for their patience as China imposed retaliatory tariffs on most agricultural goods it imported from the U.S.

The day after the U.S. and China announced their Phase 1 agreement, the U.S. Senate gave final congressional approval to the U.S.-Mexico-Canada Agreement, which will replace the 26-year-old North American Free Trade Agreement.

"The USMCA, as we call it, will massively boost exports for farmers, ranchers, growers and agricultural producers from north to south, and from sea to shining sea," Trump said, adding that he plans to sign the agreement soon.

During his speech, Trump referred to administration actions to improve agricultural exports to Japan, South Korea, Vietnam, Brazil and other nations, but warned his audience of ongoing trade disagreements with the European Union.

"He was very optimistic for us," Johansson said of President Trump, "but certainly people in the room were optimistic of better times ahead for agriculture."

For one thing, Johansson said, the Trump administration has focused on regulatory reform throughout the government, including recent work to update regulations under the National Environmental Policy Act and Endangered Species Act.

Johansson said the regulatory reform would, for example, "directly benefit" ranchers who hold federal grazing permits, and that removing barriers to efficient livestock grazing would also assist in wildfire prevention in California and the West.

Trump reminded farmers of his administration's work to rewrite the Obama-era "waters of the United States" rule that would have expanded federal regulation of agricultural land.

"As long as I'm president, government will never micromanage America's farmers," Trump said to applause from his audience.

The president said he had also directed the U.S. Army Corps of Engineers to rewrite a water supply rule proposed under the previous administration, which he said would give the federal government "vast and unlimited power to restrict farmers' access to water." Withdrawing the rule, Trump said, would allow states to manage water resources "based on their own needs and based on what their farmers and ranchers want."

"Water is the lifeblood of agriculture, and we will always protect your water supply," he said.

Even the Speculators Are Now Warning of a Crash

At the Davos conference a couple of the big financial management companies expressed their worries that the “everything bubble” could go south at any time.

Another crash of the system like 2008 would be even more destructive. Remember eight million lost their jobs and six million lost their homes while the Bush and Obama administrations bailed out the Wall St. banks with trillions. The President must listen to the wise words of Lyndon LaRouche and go with LaRouche's Four Laws, now.

What follows is background and reports on this crucial question.

Coming Financial Crash Shown in LaRouche's ‘Triple Curve’

Jan. 20 (EIRNS)—If the Wall Street Journal's report on Jan. 14 was accurate, officials of the Federal Reserve are “considering” breaking the law (the Federal Reserve Act) to print large amounts of new money and pump it directly, daily, into the super-speculative financial derivatives market, like using a military-grade flamethrower to raise a hot-air balloon. And this, not even to save banks as such, but to allow large hedge funds to cover mounting derivatives losses. It's known that the New York Federal Reserve Bank has, since mid-September, been fighting big “liquidity holes” in the financial system by making \$50-100 billion in very short-term loans to big banks every weekday morning, while keeping financial journalists and media almost completely quiet about it. For four months it has had to “fill in” for a disappeared 10% or so of the liquidity of the entire interbank lending market, to prevent chain-reaction liquidations of corporate debt and derivatives contracts leading to a financial crash.

But if the Fed is now this desperate, to think of throwing money-printing directly at big hedge funds, we have advanced well into a financial crisis leading to a crash—or, to an inflationary explosion. The situation has also made other parties desperate—the “permanent war” geopoliticians, the London financial-imperial crowd—desperate to entangle President Donald Trump in war, to distract the American people from economic peril.

That Jan. 14 report, in the words of Zero Hedge, maintained: “Fed officials are considering a new tool to ease repo market stress: namely bypassing the existing system entirely, and lending cash directly to smaller banks, securities dealers and hedge funds through the repo markets' clearinghouse, the Fixed Income Clearing Corp., or FICC.” If the Federal Reserve starts this, it will be directly funding and rescuing the LTCMs of this crisis. Long-Term Capital Management (LTCM) was a large, 100-to-1 leveraged hedge fund speculating exclusively in financial derivatives, whose failure came close to triggering a financial crash in early 1999.

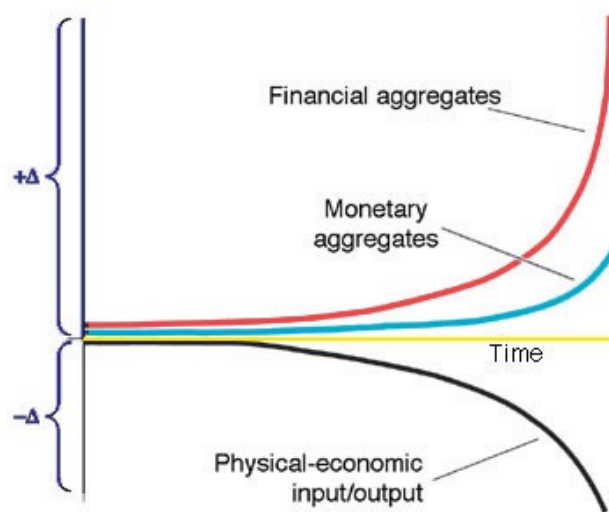
The Bank for International Settlements' BIS Quarterly Review dated Dec. 8 found that when the interbank lending market first “froze” on Sept. 17 last year, some large hedge which were using that market to debt-leverage themselves, were on the verge of failure had the Fed not “unfrozen” it. There is no end in sight to that situation, except a crash when the Fed can't pump enough new liquidity through the banks into the hedge funds and their speculations, to cover the losses. The Fed, in the words of Zero Hedge was “facing a constellation of multiple LTCM blow-ups.”

As always with LTCMs or London Whales, the derivatives market is where they were attempting to make superprofits, and winding up covering up losses.

The late physical economist and statesman Lyndon LaRouche's Triple Curve, or “Typical Collapse Function,” described exactly the situation when the underlying real, physical economy is contracting, but both financial aggregates (debt) and monetary aggregates (money supply or “monetary base”) are rising rapidly and at a rapidly, increasing rate. At the point those rising curves cross, because the

money supply must head for the sky to replace cascading losses in debt assets—at that point, the financial system is primed for an early collapse. It can't be forecast precisely when, LaRouche stated, but it is coming.

FIGURE 1: A Typical Collapse Function. Hyperbolic expansion of the financial system results in an accelerating collapse of the society's physical economy.



LaRouche's Triple Curve

He introduced the Triple Curve in 1995, before the rapid-fire series of interlinked financial crises of 1997-2001; and updated it in 2003 before his public 2006 and 2007 forecasts of the 2007-08 global financial blowout.

In 2014 Lyndon LaRouche published a comprehensive outline of what to do to stop the next, worse collapse coming at us now. Break up the Wall Street and the City of London banks with Glass-Steagall; create “Hamiltonian” national banking and credit institutions to put credit into the highest-technology, most energy-dense infrastructures, such as fourth-generation modular nuclear reactors and high-speed and maglev rail corridors; and make NASA space exploration and fusion power research crash programs, “science drivers” for the real economy. His June 8, 2014 “Four New Laws To Save the U.S.A.” is still the action plan.

Talk About a Financial Crash Stalks World Economic Forum

Jan. 22 (EIRNS)—One commentary that is being played up in a number of financial wire services, is that of Scott Minerd, the Guggenheim Partners investment chief who is also a member of the New York Fed's Investor Advisory Committee on Financial Markets. Minerd wrote a note to investors from Davos, according to Bloomberg, which compared “the inflation of asset prices caused by the loose money policies of central banks to a ‘Ponzi scheme’ that eventually must collapse.”

Minerd elaborated: “We will reach a tipping point when investors will awake to the rising tide of defaults and downgrades. The timing is hard to predict, but this reminds me a lot of the lead-up to the 2001 and 2002 recession.”

Minerd's warning to clients came before U.S. President Donald Trump spoke. Afterwards, in an interview with CNBC's “Squawk Box,” Minerd had somewhat changed his tune. Trump was right in his criticism of the Fed for not lowering interest rates sooner and more, Minerd argued. “I think he was

[correct] in hindsight.... Bull markets go as long as they go. As long as the central banks keep the liquidity spigots open, I don't see any reason why we can't just keep pushing asset prices higher."

He went on: "The Fed's going to be, after everything they've just been through and the criticism they've taken, they're going to be really hesitant to start raising rates again."

Another "billionaire investor" interviewed from Davos on "Squawk Box," Paul Tudor of Tudor Investment Corp., also said that a blowout is coming. "We are just again in this craziest monetary and fiscal mix in history. It's so explosive. It defies imagination," he said, and opining that the current situation in the stock market is reminiscent of the later stages of the dot.com bubble, right before it blew out.

And then there's Jamie Dimon of JPMorgan Chase. Asked by CNBC if he sees any bubbles in the market, Dimon said: "Only in sovereign debt." Dimon was critical of negative interest rate policies: "I think it's very hard for central banks to forever make up for bad policy elsewhere. And that puts them in a trap. Do you know anyone who's actually bought a negative interest rate bond? I would never buy a negative rate bond. Not unless I was forced. In history, whenever you see something like that, it doesn't necessarily end well."

BlackRock at Davos: The Billionaires Tell the Billions, Cut Back

Jan. 20 (EIRNS)—A new report by Oxfam says that the world's 2,153 billionaires have more wealth than its 4.6 billion least wealthy people. News of this report is posted, where? On the website of the World Economic Forum, where some 120 of those billionaires are gathered. They are talking about making this "sustainable"—by making the 4.6 billion pay more in taxes and electricity bills, if they are to have electricity at all.

Multi-decabillionaire Sir Michael ("Mousolini") Bloomberg is, unusually for him, skipping this year's Davos. He is too busy "campaigning": spending hundreds of millions of his huge wealth bludgeoning 325 million Americans to pay new taxes, abandon coal, forget cheap electricity, and dump their President.

BlackRock is being represented in World Economic Forum presentations by billionaire Larry Fink (CEO), and Vice-Chairman Philipp Hildebrand, one of the four (former central banker) authors of BlackRock's "regime change" report this year at the central bankers' annual event at Jackson Hole, Wyoming. That report not only proposed that central banks take over fiscal policy from governments and print helicopter money for governments, institutions, etc.; it also acknowledged the failure of quantitative easing over a decade. Thus BlackRock's central banker "regime change" was not only a scheme to fund Green new deals, but a desperate attempt to print enough new monetary aggregate to rescue failing debts and save the financial system from crashing down.

Hildebrand's "fundamental reshaping of finance" message has already been featured in a Bloomberg interview from Davos, in which he praises Bank of England Governor Mark Carney, he of the global central bank digital currency to replace the dollar. "Governor Carney has been and is at the forefront in pushing this," said Hildebrand, referring to the green "reshaping."

BlackRock operates funds which invest \$7 trillion in assets for institutional and personal investors. A large portion are invested in stock, bond, or derivatives indexes, as requested by these investors, and therefore BlackRock cannot simply use that capital to blackmail—or greenmail—corporations into abandoning coal, oil, and nuclear, and getting into green boondoggles. But Hildebrand claimed that "The index operators are very much on board" with imposing "sustainability risk" penalties on fossil fuels. "We've made it clear that we expect companies to live up to their disclosure responsibilities to earn investments.... This will involve substantial changes in capital allocation and profitability."

But there must also be the "green" stick of governments, he stressed. "There will be laws, there will be regulations." He could have added, there will be taxes. "This is a government problem. We cannot reach the Paris [COP21] goals in the absence of coordinated, sustained government policies."

Feature: The President at Davos

President Trump Takes on Genocidalist Billionaires at Davos

The main feature of the President's speech at Davos is found in the last eight minutes of the presentation. Here is the video of those eight minutes. Later in this section the transcript will be found. The second item below is the LaRouche PAC report on the speech.

Trump Slams Malthusians, Promotes Creativity & Growth

https://www.youtube.com/watch?v=4Aw6kk_9Uss&feature=share&fbclid=IwAR1OeEOj9oEix2rtWIdx8azV5Dlb-pvT2d5HWWDYqGahxZMebhnlxpd-DFg

[LaRouchePAC Videos](#)

This is an excerpt of the last 8 minutes of President Trump's 30 minute speech at the 2020 World Economic Forum in Davos, Switzerland.

Trump Slams Malthusians, Promotes Creativity & Growth

<https://larouchepac.com/20200122/president-trump-takes-genocidalist-billionaires-davos>

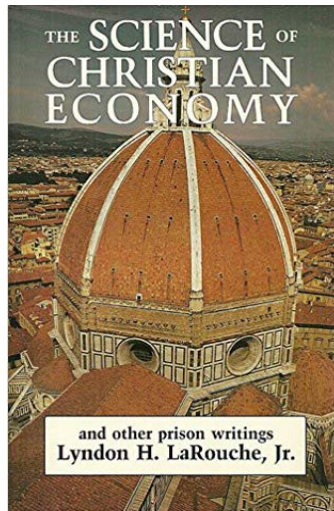
As over 100 billionaires and the lords of the bankrupt Western financial system gathered in Davos today to declare their all-out war on industrial progress, with multiple panels carrying titles such as “Averting a Climate Apocalypse,” President Donald Trump not only spoiled their *danse macabre* with a perfectly targeted attack on their evil and lying intentions, but presented an optimistic vision of the future, drawing on the cultural and scientific achievements of the European Renaissance, coupled with a passionate call for Mankind to again act on behalf of the future.

“This is not a time for pessimism; this is a time for optimism,” the President said (watch video above,) “Fear and doubt is not a good thought process because this is a time for tremendous hope and joy and optimism and action. But to embrace the possibilities of tomorrow, we must reject the perennial prophets of doom and their predictions of the apocalypse. They are the heirs of yesterday’s foolish fortune-tellers..., and they want to see us do badly, but we don’t let that happen. They predicted an overpopulation crisis in the 1960s, mass starvation in the ’70s, and an end of oil in the 1990s. These alarmists always demand the same thing: absolute power to dominate, transform, and control every aspect of our lives.”

Trump’s targets are precise: not only the greenie “prophets of doom” who peddle the fake-science climate hysteria, but he went back decades to ridicule the sources of the modern Malthusian population control fanatics. Without naming them, he pointed to The Population Bomb hoax by Paul Ehrlich in 1968, and the *Limits to Growth* hoax by Dennis Meadows and Jay Forrester and their Club of Rome/MIT team of quacks in 1972. What unites these forces, besides their Malthusian hatred of the human race, is that their evil intentions have been exposed and refuted by Lyndon H. LaRouche throughout this past half-century. LaRouche’s 1983 book *There Are No Limits to Growth* demonstrated the fake science and computer-generated fraud (as continued today with the dire predictions of the UN’s Intergovernmental Panel on Climate Change, whose forecasts have no more validity than Chicken Little’s warning that “the sky is falling”).

More importantly, LaRouche presented the necessary counter to these fraudsters: the real science of

human progress. Look back to the geniuses of the Renaissance, LaRouche said, pointing especially to Brunelleschi's brilliance in the building of the Duomo of the Florence Cathedral, educating a workforce in the process. This passage from President Trump's speech could equally have come from LaRouche's book, *The Science of Christian Economy*, which carried a picture of the Duomo on its cover: "Centuries ago, at the time of the Renaissance, skilled craftsmen and laborers looked upwards and built the structures that still touch the human heart. To this day, some of the greatest structures in the world have been built hundreds of years ago. In Italy, the citizens once started construction on what would be a 140-year project, the Duomo of Florence. An incredible, incredible place. While the technology did not yet exist to complete their design, city fathers forged ahead anyway, certain that they would figure it out someday. These citizens of Florence did not accept limits to their high aspirations, and so the Great Dome was finally built."



Lyndon LaRouche's book which highlights the building of the Cathedral of Florence. That is the cathedral on the cover of the book.

This is the vision required to defeat the evil being directed from the City of London and Wall Street today. A keynote speaker at Davos today was Bank of England Governor Mark Carney (now taking over as UN Special Envoy on Climate Action and Finance), who openly pronounced that the Bank of England, with other central banks, will now begin to deny credit to corporations which are not "net zero carbon emitters"—a prescription for de-industrialization and mass genocide. It is these bankers—not the pathetic, abused child Greta Thunberg—who are running the deadly operation.

Perhaps it was coincidental that Nancy Pelosi held up the delivery of the phony Articles of Impeachment such that the impeachment trial would begin on this particular day, when President Trump had planned to address the world's political and business leaders at Davos. If so, she failed to stop him, just as the impeachment trial will fail.

But the danger of global war, and the danger of the looming financial disintegration, have not abated. It is these two potentials which hold the true danger to Trump's presidency, and his re-election. To realize the vision he so powerfully presented today, the leaders of the three most powerful nations on Earth—the U.S., Russia and China—need to come together in friendship, as Trump has repeatedly insisted, to resolve the crisis in Southwest Asia, and begin the process of building a New Bretton Woods system, to resolve the looming financial collapse and create the means to generate the credit needed to build the world economy. This is the historic task facing the human race today.

Great Special Address by Donald J. Trump, President of the United States at the

Davos World Economic Forum

Trump For A Renaissance of Optimism vs the Perennial Prophets of Doom

Trump Echoes Lyndon LaRouche and the Schiller Institute : Refers to the Building of the Dome of Florence

This is a verbatim transcript beginning at the 26 minute mark done exclusively for the LaRouche/EIR Daily Alert Service

“This is not a time for pessimism. This is a time for optimism. Fear and doubt is not a good thought process, because this is a time for tremendous hope, and joy, and optimism and action. But to embrace the possibilities of tomorrow, we must reject the perennial prophets of doom, and their predictions of the apocalypse. They are the heirs of yesterday’s foolish fortunetellers, and I have them, and you have them, and we all have them, and they want to see us do badly, but we don’t let that happen.

“They predicted an overpopulation crisis in the 1960s, mass starvation in the 70s, and an end of oil in the 1990s. These alarmists always demand the same thing: absolute power to dominate, transform and control every aspect of our lives. We will never let radical socialists destroy our economy, wreck our country, or eradicate our liberty. America will always be the proud, strong, and unyielding bastion of freedom. In America, we understand what the pessimists refuse to see—that a growing and vibrant market economy, focused on the future, lifts the human spirit and excites creativity, strong enough to overcome any challenge, any challenge by far.

“The great scientific breakthroughs of the 20th century, from penicillin, to high-yield wheat, to modern transportation and breakthrough vaccines, have lifted living standards and saved billions of lives around the world, and we’re continuing to work on things that you’ll be hearing about in the near future, that even today, sitting here right now, you wouldn’t believe it’s possible that we have found the answers: you’ll be hearing about it.

But we have found answers to things that people said would not be possible—certainly not in a very short period of time. But the wonders of the last century will pale in comparison to what today’s young innovators will achieve, because they are doing things that nobody thought even feasible to begin! We continue to embrace technology, not to shun it. When people are free to innovate, millions will live longer, happier, healthier lives. For three years now, America has shown the world that the path to a prosperous future begins with putting workers first: choosing growth, and freeing entrepreneurs to bring their dreams to life.

For anyone who doubts what is possible in the future we need only look at the towering achievements of the past. Only a few hundred miles from here are some of the great cities of Europe—teeming centers of commerce and culture. Each of them is full of reminders of what human drive and imagination can achieve.

“Centuries ago, at the time of the Renaissance, skilled craftsmen and laborers looked upwards and built the structures that still touch the human heart. To this day some of the greatest structures in the world have been built hundreds of years ago. In Italy the citizens once started construction on what would be a 140-year project, the Duomo of Florence, incredible, incredible place. While the technology did not yet exist to complete their design, city fathers forged ahead anyway, certain that they would figure it out someday. These citizens of Florence did not except limits to their high aspirations, and so the great dome was finally built....”

Watch the Full Speech Here

<https://www.weforum.org/events/world-economic-forum-annual-meeting-2020/sessions/special-address-by-donald-j-trump-president-of-the-united-states-of-america-5e6010c5e7>