

Editorial

No to hyperinflation

As the financial systems of half a dozen Asian countries are vaporizing before our very eyes, a hue and cry is going up from so-called experts, demanding a policy of global hyperinflation:

- Jeffrey Sachs, the Harvard flea-market economist who brought the cocaine economy to Bolivia and desperate poverty to eastern Europe, was quoted on Jan. 16, during a visit to Tokyo, advising Japan that “an even more aggressively expansionary policy would be very fruitful in stopping the collapse of asset prices, stopping deflation, and helping to limit the damage in the banking sector.”

This advice, to a country that, as *EIR* reported last week, has just put together the biggest financial bailout package in history: *\$500 billion!*

- The *Neue Zürcher Zeitung*, the Swiss financial daily, reported on Jan. 19 that many investors and market analysts believe that “only a grand-style monetary expansion could prevent a wave of huge bankruptcies.” One group of such analysts, according to the paper, is calling for “reflationary measures, by far exceeding the dimension which has so far been discussed.”

Have they taken leave of their senses? Don’t they remember Weimar Germany, with the wheelbarrows full of money that were needed to buy a loaf of bread?

The answer to both questions, is “yes.” But, like the London bankers of the 1920s who bankrolled Adolf Hitler’s rise to power, out of the depths of the Weimar Depression, they prefer this insane policy to its alternative: dirigist measures by nations to wipe out the financial speculators, and save the nations’ people and physical economy.

In the view of the *Neue Zürcher Zeitung*’s sources, the crisis “could even escalate, if industrial countries react to the growing pressure from imports by implementing protectionist measures, and if Asian countries increasingly take refuge in foreign exchange controls.” Reflation, therefore, is deemed “the lesser evil.”

Wait a minute! What does this really mean?

Lyndon H. LaRouche, Jr., asked to comment on the fear of exchange controls, in a radio interview with “EIR

Talks” on Jan. 21, replied: “So, what’s wrong with exchange controls? We did that before. That’s how we got out of the World War II effects. During the 1950s, there were exchange controls, limited convertibility, capital controls. These were the methods — and pegged currencies. Anybody who tried to do what George Soros does, we’d bankrupt him then. You want to go out and gamble, and say a currency’s got the wrong price? We say, ‘Buddy, *we* determine the price of the currencies, not you and your crazy casino-type financial speculators’ markets.’ We’d bankrupt these guys. We did it many times, and they learned to behave themselves.

“Now, they’re turned loose. These rats, like Soros, are turned loose, destroying entire economies. You mean to say that Korea can’t produce the same value in industrial product for a unit of won today, that it produced at the beginning of the year? Of course it can! Did the won collapse in value? *No: It was artificially collapsed in value, by perception of a bunch of gangsters holding the gun of the International Monetary Fund, and so forth, to the heads of the Korean economy.*

“So, Sachs now, true to colors, comes out and joins the pack, in demanding what’s called reflation, to avoid the possibility that nations will go back to the old Bretton Woods type of agreements.”

In fact, as LaRouche has insisted for the past year, a New Bretton Woods System, with fixed exchange rates and gold reserve backing, is the first, indispensable step toward putting the world financial and economic system back on a healthy footing. The current system must be put through the equivalent of Chapter 11 bankruptcy proceedings. A lot of people who thought they could make a buck without doing any productive work, will lose their shirts. So what? They can rehabilitate themselves afterwards, if they like, and get a real job, working to build the Eurasian Land-Bridge, or to repair the broken-down bridges, schools, and hospitals of America.

If LaRouche’s approach is not adopted, we will soon be heading for a disaster beyond anything that the financial “experts” have even imagined, up to now.