Editorial

Hyperinflation Rears Its Head, as LaRouche Warned

As early as November 1997, Lyndon LaRouche wrote that the insane response to the so-called Asia financial crisis by IMF boss Michel Camdessus and Larry Summers, then number two at the U.S. Treasury—that is, creating a wall of money to postpone the inevitable day of reckoning—was putting the entire world economy on course for a hyperinflationary blowout, like that experienced by Weimar Germany in the Fall of 1923.

Rather than listen and mend their ways, Summers, joined by Federal Reserve Board Chairman Alan Greenspan, vastly increased the rate of money-creation after the Russian state default of August 1998, and the subsequent near-meltdown of the system at the time of the Federal Reserve's bailout of Long Term Capital Management in October 1998.

Now, as the "new economy" dot-com bubble and the Nasdaq average have begun to collapse since the Spring of 2000, Summers's and Greenspan's trick of postponing the inevitable for even a few days, by throwing up ever greater mountains of worthless money to prop up markets, has become an almost-daily routine.

As LaRouche had explained back in the Fall of 1998, the expanding floods of new money do not immediately show up in prices of physical goods; at first, they are absorbed by ever-growing intangible asset prices, which are promises to pay at some future time. But eventually, they find various channels to break out into areas of the real economy; this begins to slide toward a hyperinflationary explosion, in which the money-printing presses cannot keep up with the rate of inflation, and suddenly, all money becomes worthless. That slide has now visibly begun.

Even so, such a hyperinflationary explosion, à la Germany, Fall of 1923, is still, today, not the only possible path toward total systemic failure. The other path is precisely the deflationary collapse, which all the money-printing is intended to prevent. Rather than preventing it, it makes it simultaneously more *dangerous* and more *likely*. More dangerous, because it increases the mass of the speculative bubble which is hovering over the real economy, ready to burst and crush it. More likely, because the increased mass of the bubble of derivatives and other speculative property titles, grows ever greater in proportion to the shrinking real economy (industry, agriculture, and necessary services), from which all claims must ultimately be paid—or, not be paid, because they are unpayable.

In April, the Clinton Administration armtwisted the Organization of Petroleum Exporting Countries (OPEC) to increase production quotas, in order to reduce oil prices, which were then climbing above $30 per barrel. Wrong theory! In reality, the spiralling prices had nothing to do with OPEC or so-called "markets"; rather, the hyperinflation of pure financial assets, was breaking out into the real economy—in this case, because the oil giants had no way to pay the debts incurred by their repeated mergers, other than to gouge oil-prices. The proof is that now, in May, oil prices are again shooting through and above their Spring 2000 peaks, even after the OPEC production increases.

Look at real estate. On May 18, *USA Today* showed that median home prices in five of the highest-priced areas in the United States, had increased 12% on average, from the first quarter of 1999, to the first quarter of 2000: from an average of $269,600, to one of $302,200. Prices in seven California counties in the San Francisco Bay area, and in Santa Cruz County, had increased by from 16 to 36%, over the period from March 1999 to March 2000.

Speeded along by Gore-supporter Summers's tricks, the present, doomed, IMF floating-rate world monetary system is accelerating along a vanishing razor's edge between hyperinflationary exposion and deflationary collapse. Nothing can save it, even over the near term. The only choices are either systemic failure, causing a worldwide relapse into barbarism for decades, or else debt-reorganization and write-off, and a return to an updated version of the successful Bretton Woods system of 1945-58, based on perfect national sovereignty, relatively fixed exchange rates, and long-term, low-interest credit for high-technology capital exports, combined with great projects of development to restart the world economy.