

Government Can Control Today's Hyperinflation

This is an excerpt from an interview given by Lyndon LaRouche to talk show host Jeff Rense of Genesis Communications Network, on the evening of Sept. 21.

Rense: What are your latest observations on the scene in our nation's capital?

LaRouche: Well, I think you have now got a rate of inflation, which is hyperinflationary. We're in a world situation which is like Germany in 1923. And you just look at the rate at which prices are rising, and you realize that this is not going to go on too much longer. We're near the end of the game.

Rense: How can it go on any longer? I mean—look, as you know, Lyndon, you've been saying this for many, many years, before anyone else I can remember, that the day of accounting is coming soon. These people continue to create money out of virtual cyberspace, with a few keystrokes on a computer. Not a care *in the world*, about trying to consider a way to pay it back, balance the budget, or any of the other old clichés we like to talk about.

LaRouche: Yes, well, there's a certain amount of madness. I think you can say that the people who are running the world right now, are insane. They don't care much about anything, they're just running things. They're hysterical. Cheney is in deep trouble, physically, as you know. He's got some physical problems, there—surgical problems.

Rense: It's said that he may have had a heart transplant a year ago. I don't know. But the man does seem to be invisible most of the time, that's for sure.

LaRouche: The man's—he's dangerous. He's not too bright. He's vicious—he's only a tool. He's only a tool. You've got a financial crowd that's running the world, which is, in my view, clinically insane. The President of the United States, I've said, he's a mental case. And this thing is rolling along. It's largely negligence on the part of a lot of people who should have known better.

Right now, you've got, in the Congress and elsewhere, you've got people who are out of the ether—especially in the Senate—who are beginning to move. But, I just hope that we're moving in time.

We're on the edge—as I said, we're on the edge of something like 1923 in Germany, in terms of economy. Just look at the price of petroleum. Look at what's happening. Look at

other prices which are related to it. There's no shortage of petroleum—we've got a glut—

Rense: Thank you!

LaRouche: We've had a glut for a long time.

Rense: Thank you for saying that. All too true. This whole thing—I don't know if you feel one way or the other about the “peak oil” argument, but I don't buy it for a second. In fact, Cornell University, the Geology Department, and others, have suggested that we have a process on this planet wherein oil is being manufactured all the time by the Earth. We don't understand it. In one tract of land, 900 square miles off (ironically enough) Louisiana, out in the Gulf, there is more oil, says Cornell University Geology, than has ever been used since mankind began using petroleum as an energy base! That's how much oil is in *one* location.

LaRouche: Yes! Well, right now, in terms of oil available, petroleum available, there's a world glut. It's not just what's in the Earth, which of course is there, but in the amount that's being *produced* is a glut.

Shocks in Unsound Economies

by Lyndon H. LaRouche, Jr.

A memorandum to associates, Sept. 23, 2005:

The principles of “economic shock-waves” which we have employed in our association, date from the second half of the 1970s, a discussion which occurred under the topic of my discoveries in the science of physical economy a quarter-century earlier. This discussion reached “critical mass” in a meeting held in a Bronx location among Uwe Henke, Chuck Stevens, and Steve Bardwell, in preparations for an invitation to an immediate Soviet science event.

At this meeting, I emphasized that the party to visit Moscow should be prepared by study of Riemann's 1860 “shock wave” paper, on my assumption that relevant Soviet non-classified literature would contain material of value bearing upon thermonuclear isentropic compression. I emphasized that such materials from the domain of physical science would be of implicit collateral value in our polishing of the program of LaRouche-Riemann quarterly U.S. economic forecasting which we were in the processing of launching, as a joint Labor Committees/Fusion Energy Foundation project, from our New York offices at that time.

This mission to Moscow, etc., was successful on that account.

What we're seeing here is simply international financial interests, which are a cartel, which control the world's petroleum supplies, are rigging the prices.

Rense: The vampires.

LaRouche: Worse! Worse. And the price is going up, because the system is at an end. Look at the Spring: In the Spring, you had hedge funds, which made a big gamble, and they lost. They were trying to bail out—and they're still trying to bail out—a lot of the hedge funds went under. Some survived. Those who survived, are trying to survive through their control over petroleum and other things. They're driving up the price to try to bail out their financial system, which is bankrupt.

It won't work! It won't work—

Rense: Utterly bankrupt. I agree. It won't work—no chance.

By the way—excuse me one second: Had you been elected President, and you were in the White House right now, and this oil gouge was being perpetrated against the American people, which in fact is what it is, you know, and

many people listening know, you could have picked up a pen, signed one piece of paper, *freezing* the price of oil and gasoline, in the national interest, immediately.

LaRouche: Yes, sure! I would have done it. I've proposed it.

We have two things we've got to—you know, you can't manage everything by government decree, even international decrees. But there are some things, within certain limits, you can manage things. In this case, we have two things that we have to manage right now: We have to manage the price of petroleum, because we made ourselves dependent upon it. We can not allow a small group of people to drive the price up the way they're driving it up, now. About \$40 a barrel is pure swindle; it's pure theft.

Rense: Yep.

LaRouche: Because they control the market.

The other thing I've got to worry about, is the supply and price of food. You may notice that the price of food is zooming.

Rense: Well, of course!

This study of Riemannian isentropic compression was premised on both the general features of Riemann's dynamic method, and on the specific example of Riemann's 1860 "Über die Fortpflanzung ebener Luftwellen von endlicher Schwingungsweite" ["On the Propagation of Plane Air Waves of Finite Amplitude"]. On this account, that Riemann paper was translated into English, by Parpart and Bardwell, for the Fusion Energy Foundation, and was, otherwise, an integral part of the internal work of the Labor Committees on both economics and the rudiments of application of Riemannian physics to relevant classes of phenomena in general.

This occurred in the interval I was already leading our work in setting forth the case for what was to be later introduced by me to the Reagan Administration, where it assumed the form of what President Reagan named a "Strategic Defense Initiative." The fact, that the visit to Moscow had identified material in the open Soviet science literature indicating the existence of relevant Soviet scientific capabilities, was a crucial consideration in the making of my proffer of what became known as "SDI" to relevant representatives of President Reagan.

It should be readily recognized, among those with relevant training in physical science, that the phenomena which Riemann predicts for sonic-wave "fronts" in the referenced 1860 paper, represent a general principle, derived from the concept of Dirichlet's Principle of applicable physical science, including my speciality, the science of physical economy.

The following consideration is especially noteworthy.

In both the present case, as in 1923 Germany, a hyperinflationary explosion was building up over an extended period. In this case, the origin of the condition which caused this chain-reaction-like present explosion of primary commodities and other prices has been building up since the mid-1990s, with the subsumed points of inflection of 1997-1998. Ironically, the measures used to control the aftermath of the LCTM hedge-fund crisis, actually created the preconditions for the explosion which has now occurred, that in a manner similar to the way a building-up explosion of prices was contained until approximately the middle of 1923, when the explosion of the wild hyperinflation then occurred. A condition of "overload" was approached, akin to the discomfort of the supersonic aircraft (or would-be supersonic aircraft) as it approaches the relevant boundary-condition of the process.

Thus, this present hyperinflationary outburst has been building up since the immediate aftermath of October 1987, when the U.S. economy slipped into the implicitly hyperinflationary mode launched under Alan Greenspan's assumption of the post of Federal Reserve Chairman: a point in the process comparable to approximately May-June 1923 in Germany has already been reached. The attempt to bail out the hedge funds has triggered the shift from contained hyperinflation to explosive hyperinflation, a critical, uncontrollable phase of the present system, a phase comparable to a Riemann shock-front has been entered. Without a sudden change in the system, as Riemann's work implies, the world economy is now doomed to an early and ugly, chain-reaction collapse.

LaRouche: We're in, now, a hyperinflationary spin, which is like Germany, 1923.

Rense: The price of everything is exploding, and watch what happens in three to six months, folks, when gasoline goes to \$5 and \$6 a gallon, diesel fuel keeps apace, and the truckers, of course, who bring everything to every store in this country, will be forced to pass along their costs to you and I. This is an inflation of a different stripe, Lyndon, but it is hyperinflation.

LaRouche: It's like 1923 Germany: The rate of increase of price, now, is on the same kind of curve that Germany experienced in the second half of 1923. It's already happening, now.

Now, we can control it. Governments could control it. The will to control it exists among many governments in the world. There's no problem about the price of oil. We have friends in the Middle East and so forth, who would be perfectly willing to cooperate with us, because they know that stability for them and everybody else depends on cooperation. They offered to do so.

It is the United Kingdom and the United States government, which have refused to cooperate in controlling this price. And the two things I said we should control, we can't control everything with government, but we must control the price of petroleum, and we must ensure stability and price of food supplies. Those two things, we *must do, now*. . . .

LaRouche PAC Testimony

Put a Lid on Prices; Re-Regulate Energy

This testimony was presented by Marcia Merry Baker of the LaRouche Political Action Committee, for the record, at the hearing of the U.S. Senate Committee on Commerce, Science, and Transportation, Sept. 21, on energy pricing.

To Honorable Senators Ted Stevens, Chairman, and Daniel K. Inouye, Co-Chairman, and Members of the Committee:

There are now various Congressional initiatives coming forth, addressing certain aspects of the out-of-control energy prices: Senator Byron Dorgan's "Windfall Profits Rebate Act of 2005"; Sen. Carl Levin's "Hurricane Katrina Emergency Temporary Energy Prices Freeze Act of 2005"; and the many anti-price gouging measures. Going in the right direction, what is needed now from the Senate is a commitment to *full-scale re-instatement of traditional regulation of energy, and*

also of transportation, given the nature of the crisis now at hand.

Information-gathering at the Sept. 21 hearing is useful and important, but the urgent necessity for Senate action is self-evident given events in these three, interrelated areas:

1. The current energy price swings and hyperinflation are an inherent part of the deregulated, speculation-serving energy sector, not an aberration. No mere tut-tut proscriptions against malpractice by multinationals will help.

2. Out-of-control energy and commodity prices and profiteering are, in turn, an inherent part of the disintegration process of the international financial system, teetering as it is on bubbles of speculation in derivatives, home mortgage financials, deficit-import dependence, unpayable debts, etc. This epic crisis cannot be ignored. It must be addressed in a way to restore economy-building national interest policies.

3. Rebuilding after the catastrophic impact of Katrina, given the anti-infrastructure stance and criminal negligence of the Executive Branch which led up to vulnerability in the Gulf Coast, requires stable, fair energy prices. Period.

In our following testimony, we include summary information in these three areas, which we can also make available to the Committee in more depth, including animations of the economic processes involved.

To develop these concepts, we include excerpts from two recent webcasts in Washington, D.C., given by Lyndon LaRouche, to address the policy shift and Senate leadership required. The immediate action perspective is straightforward: Cap the prices.

'Put A Lid on Prices'

On Sept. 3, Lyndon LaRouche conferred with government, infrastructure, and constituency leaders on an international webcast, "Pulling the Nation Together Now!" (archived on www.larouchepac.com):

"... Now, we had a case out nearby here, of \$6 a gallon for gasoline. And you have people standing by the side of the road and laughing at Hummers. But that's not the only part of the story. We can not allow a speculative exploitation, which is now going on in the world market, to drive up the price of petroleum products on which this nation and other nations depend, to floating prices. We're going to put a lid on it. We're going to put a lid on it in the United States, and we're going to go to Europeans and others, and we're going to put a lid on it.

"We're going to talk to people overseas—we're going to *put a lid on the cost of petroleum products*. We're going to *stop* this inflation: Because this inflation is purely based on speculation. And the speculators are going to have to take bath!

"We're going to have a price of energy, which enables this nation to function. We're now coming into a Winter season—months ahead? Yes.—But we're coming into it now! How do you like it, with no heating, in the northern part? How do