II. Economics of Lyndon LaRouche

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FIRST, DEFLATION, THEN:

Soon, Hyperinflation

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The German economy of the immediate post-World War I interval, quickly dropped into a virtually deflationary phase, before entering the hyper-inflationary phase. This happened under the artificial Versailles conditions imposed upon Germany by a cartel centered on the Bank of England which would soon launch its creation of Adolf Hitler's Nazi Party onto the world stage at exactly the time the point of hyper-inflationary blow-out was being reached. Now, a similar process leading into a global hyper-inflationary blow-out is being approached very rapidly. The conclusion to be reached now is that the U.S. and British governments are both behaving as idiots currently.

> *As Harvard's famous Professor George Santayana warned, in what was his most famous epigram, "Those who cannot remember the past are condemned to repeat it."*

Professor Santayana was not exactly correct in his most famous utterance, but allowances for that error made, that was a warning well worth attendance, again, today.

The attempt to maintain a bankrupted monetary system, such as those of Western and Central Europe and the U.S.A. under the post-July 2007 conditions of both the George W. Bush, Jr. and Barack Obama administrations so far, is inevitably transformed into a hyper-inflationary trend if it is permitted to be continued for a relevant period of such continued folly.

Now, as in the United Kingdom and the U.S.A. today, the use of the kinds of hyper-inflationary monetary practices employed since July-September 2007, have successfully sent the real economy of both nations careening to the bottom at generally accelerating rates of increased unemployment and business closures. So, the rate of the inflationary spiral soars under the Obama Administration's key controller, Larry Summers, while the wages of domestic productive labor and essential industries and agriculture collapse.

Thus, as in Weimar Germany and in the U.S.A. and Western and Central Europe today, the present deflation in the real economy, not merely precedes, but has caused the subsequent hyperinflationary monetary explosion. We are now at the verge of that shift to an overtly, explosive hyperinflationary movement in prices not dissimilar to that in Weimar Germany of Spring-November 1923.

For Example

It should be recalled that, in an internationally webcast address of July 25, 2007, I had warned that the world was at the verge of the greatest economic breakdown-crisis in modern history. The crisis erupted, as I had forecast the type of expected outbreak, and the relevant immediate remedy, three days later. In that webcast, I had identified a crucial remedy for the immediate crisis, a remedy named the "Homeowners & Bank Protection Act of 2007." At

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We are now on the verge of a shift, LaRouche warns, "to an overtly, explosive hyperinflationary movement in prices not dissimilar to that in Weimar Germany of Spring-November 1923." Here, children in Weimar Germany use bundles of worthless paper money as building blocks.

that time I promised supplementary clarification on several additional measures required; I delivered on that promise in a timely fashion, during September of that year.

Unfortunately, the measures which I proposed, measures which would have worked as I had promised, had they been instituted by approximately September 2007, were sabotaged in what was, in principle, a fraudulent operation by Representative Barney Frank and others. The ramming through of the intrinsically fraudulent, and, also, virtually treasonous "bail out" measure, has transformed what had been a controllable general crisis of July-September 2007, into the nightmare of swindle piled upon global financiers' swindle today.

It must be emphasized, that the issue which I addressed in my July 2007 address was the fact of the state of general bankruptcy of the international financial system, including the banking system. Had my proposals for reform through bankruptcy relief been employed, the way out of this crisis was already ready for implementation during summer of 2007. In effect, what Representative Barney Frank and others did, inside the U.S. House of Representatives and elsewhere, was a massive fraud against the U.S.A. and its institutions of banking and government.

Now, looking at the narrow aspect of this crisis, the only domestic U.S. remedy is putting the U.S. financial system through sudden and drastic measures of reorganization in bankruptcy. Most of the overhang of prospective "bad bank" assets must be simply wiped off the books of the banking system in ways which are equivalent to a wipe-out of assets not meeting the historic Glass-Steagall standard existing prior to the swindle by Treasury's former Secretary Larry Summers. 15% would be a fair estimate of what portion of the non-Glass-Steagall standard accounts might escape destruction in the process at this present time. If the reorganization-in-bankruptcy required is not introduced immediately, the ration of such non-Glass-Steagall claims which could be saved eventually would be soon far less than zero, as the hyper-inflationary phase of the present international crisis cuts in.

Unless what I have proposed as the needed change in U.S. policy is presented, the world as a whole will be precipitated into the greatest world depression in

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Rep. Barney Frank abused the power of his office to sabotage the financial recovery measures proposed by LaRouche in July 2007; as a result, we are now headed for the greatest world depression in all known history to date.

all known history to date. A rapidly accelerating reduction of the world's population to levels intended by Prince Philip's scientifically fraudulent World Wildlife Fund swindle, from more than 6.5 billions, to less than two billions, would become the most massive genocide in all known history.

The Role of the U.S. Dollar

Between the developments of the U.S. fiscal year 1967-68, and the combination of the London-Saudi orchestrated oil-price swindle of the early 1970s and the effects of the lunatic Trilateral Commission swindle conducted under the auspices of a duped President Jimmy Carter, the dominant role of the U.S.A. in the world monetary system had been brought to an end; the British empire, otherwise known as the Anglo-Dutch-Saudi financial empire, was in the saddle. However, the U.S. dollar remained the principal denomination of international credit.

Today, as the example of China's current crisis typifies the situation, if the U.S. dollar is devalued in favor of any other currency, the effect would be an immediate plunge of the world system of all nations into a "new dark age," a condition under which a rapid collapse of population-levels of the world toward two billions or less, would be virtually inevitable.

The significance of the U.S. dollar today, lies in two aspects of that dollar. First and foremost, the nature of the U.S. economy as based, constitutionally, on a credit-system, rather than a European type of monetary system peculiar to the types of government associated with parliamentary systems.

There is, in fact, no way in which any new monetary system could bring the world out of the effects of the present collapse of economies such as Russia and China, in addition to all of the nations of continental western and central Europe.

If, for example, the new system which I have proposed is not adopted, then China will be subjected to a process of disintegration caused by its accumulated dependency on the margin of income represented by former values of U.S. debt to China. Russia would be affected less than China, but similarly. The situation of western and central Europe would become quickly hopeless.

The only remedy would be the elimination of the existing monetary systems of the world, through an orderly reorganization of systems of money and credit, out of a monetary system, and into a fixed-exchange credit system which had been President Franklin Roosevelt's intended fixed-exchange-rate system on April 12, 1945, had virtual traitor, and stout defender of British imperialism, President Harry Truman, not adopted the anti-Roosevelt monetary policy of John Maynard Keynes, instead of Roosevelt's, on April 13, 1945.

What would be required would be, in effect, a fifty-year, fixed-exchange-rate credit system, at state-to-state rates of credit issued among nations of between 1.5-2% on long-term, which would be used largely for major capital-intensive build up of the economies of Asia, Africa, and Ibero-America through, chiefly, capital-intensive forms of technologically progressive investments in long-term capital-investments of types relevant to the physical-economic increase of the potential productive power of nations as measured physically, per capita and per square kilometer of territory, world-wide.

Putting the existing world monetary-financial systems through the kind of bankruptcy-reorganization consistent with a Glass-Steagall standard, is the only true remedy by means of which a general breakdown-crisis of the entire present world system could be prevented.

The time for this reform is now. Every government which opposes such a reform should be promptly replaced by one of a more sensible, more productive disposition in favor of global cooperation to this end.

The question to be posed to governments is not the silly question: "Do you agree?" but, rather, "Are you actually committed to surviving?"

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Unless we replace the existing monetary systems of the world, through an orderly reorganization, into a fixed-exchange credit system, we are facing a New Dark Age. Shown: Breadlines in Weimar Germany, 1923; Chicago, 1931; Grand Rapids, Michigan, 2000.

EIRNS/Robert Baker