Fed's Bernanke Unleashes Hyperinflationary Chaos

by *EIR* Staff

Nov. 8—It happened exactly as Lyndon LaRouche warned.

In the wake of the Federal Reserve's Nov. 3 announcement of $600 billion more in "quantitative easing," massive and volatile speculative capital flows, which have been underway for some months, increased dramatically. With the dollar being intentionally debased on British orders, huge sums are moving into the carry trades, stock markets, and commodities of all sort, wreaking havoc on especially emerging market nations, and threatening skyrocketing inflation in the U.S. in the short term.

Not surprisingly, it was the British imperial mouthpiece, the *Financial Times*, which, in contrast to monetary authorities in most other major nations, stepped up to both approve Bernanke's decision, but also to egg him on to go much further. What the Fed did was "on the timid side," the City of London mouthpiece declared in its lead editorial Nov. 4. It may have to "make a stronger commitment to inflating the economy."

As for President Obama, he made it clear from India today, that he supports Bernanke's action, in the name of so-called growth of the economy.

As usual, it was left to LaRouche to define the import of the decision. "This is serious," LaRouche said. "The effect of this decision is the same as the destruction of society. We have to understand that certain financier interests in the world, are criminal." And they must be stopped.

Deliberate Destruction, Not Growth

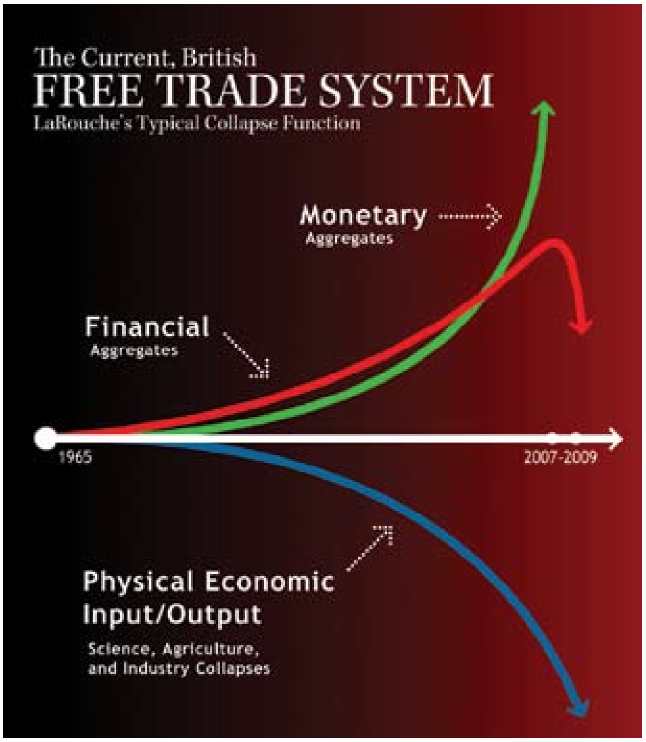
Bernanke's insane action would be laughable, if it were not so destructive. It's a patent absurdity for the Fed to argue that there is too little inflation in the U.S. economy—at a time when the cost of health-care, food, gasoline, and virtually everything else is skyrocketing for the American wage-earner. As with the decision to withhold cost-of-living increases from Social Security recipients, veterans, and others, the statisticians' declaration of "no inflation" is strictly a means of looting.

Equally absurd is the argument from the Fed chairman himself, that the increase in liquidity, which will be created by the Fed's purchase of Treasury bonds, will help in the creation of jobs and growth in the U.S. economy. The first round of bailouts, for example, simply flooded the banks with liquidity which is now being used for creating new speculative bubbles, and did nothing to reverse the decline in jobs and physical production.

So, why did Bernanke make this move? *Because the banks which will benefit are bankrupt*—and will continue to be so until there is a bankruptcy reorganization that introduces the Glass-Steagall principle. Bernanke, like his fellow London pirates, is interested in trying to save the banks, and is simply whistling in the dark, in the face of the inevitable looming result of his action—Weimar-style hyperinflation.

As for his British backers, they just want to destroy the United States.

FIGURE 1



Exactly as LaRouche warned, the Fed is unleashing hyperinflation, with its "quantitative easing"—dumping hundreds of billions of dollars into the financial markets.

As some are quick to point out, the rate of increase of prices in the U.S., the center of the problem, has not yet reached near the astronomical levels of Weimar Germany. But the process leading in that direction is fully underway. LaRouche has defined how to understand that process with precision. Look at the proportion of dollars in the financial system that are related to physical goods production, versus those which are being generated for debt or other purposes. It is crystal clear that the world is awash with money which is backed by nothing but thin air—and hyperinflation is the inevitable result, if reforms are not undertaken.

And, as Weimar Germany's hyperinflation led to Hitler's murderous austerity, so will the current policy—and the British financial crowd, who sponsored both, know it well.

International Uproar

German, Chinese, Indian, Brazilian, Turkish, Mexican, South Korean, Thai, and other government officials have all vociferously protested the Fed's Nov. 3 decision. Many of these countries are also threatening to take protective measures, such as capital controls, to try to protect their economies from the hot money that flows in, seeking a quick profit, and then leaves.

Both the German and Chinese criticisms were scathing. On Nov. 5, German Finance Minister Wolfgang Schäuble said, "I don't think they will solve their problems with that. They have already pumped endless money into their economy . . . and the results are dismal. . . . I don't think that the Americans are going to solve their problems with this, and I believe that it is going to create extra problems for the world."

More alarmist were Chinese financial experts, who have been quoted extensively in various Chinese publications, including *People's Daily.* "Unbridled printing of dollars is the biggest risk to the global economy," commented Xia Bin, an economic advisor to the People's Bank of China, in the Nov. 4 edition of *Financial News,* a Chinese-language paper managed by the People's Bank of China. Xia then called for China is set up a firewall to protect itself.

On Nov. 6, the lead editorial in the *People's Daily* was entitled "Beware the Influx of Hot Money," and further argued that "relevant countries and regions in Asia should be on the alert to prevent risks that may be caused by the inflow and diversion of funds."

Equally scathing was an interview given Nov. 4 to the all-financial-news radio in Paris, by Chiristian de Boissieu, president of the Economic Analysis Council of France's Prime Minister. He called Bernanke's policy a "flight forward" which will contribute to feed "speculative bubbles," in particular the current bubble in state bonds. He said:

"The attempt is to improve the American conjuncture in the short term, but the risk is to destabilize finances, the American and the world economy, in the long term. Why? Because of the toleration of enormous masses of liquidity in the system which will not go to feed consumption and investment."

De Boissieu's timescale is off, because the threat is much more immediate, but his message is clear. The Fed move is hyperinflationary, and represents what he calls a "bomb" that will one day explode.

Even high-level Anglo-American bankers are alarmed by Bernanke. The director of the multi-asset and fixed-income team at Barings Asset Managment, Toby Nangle, called the decision "one of the greatest policy mistakes in the Fed's history."