The Hyperinflation Is Unsustainable

Feb. 19—The two graphics here, taken from statistics of the Federal Reserve, with the addition of *EIR*'s estimate of world financial aggregates, make the point that Lyndon LaRouche has insisted upon since the 1999 "wall of money" policy of Federal Reserve Chairman Alan Greenspan, as well as Ben Bernanke's "helicopter money" policy since the 2007 crash: The U.S. system is headed to Weimar hyperinflation, and an inevitable crash.

The "hyperinflation" chart (**Figure 1**) takes off from the recent admission by PIMCO head William Gross, who, with figures from the Federal Reserve, pointed to the fact that the money-issuance policy of the Fed is becoming a "monster that requires perpetually increasing amounts of fuel, a supernova star that expands and expands, yet in the process begins to consume itself."

But, in coming up with his ratios, of U.S. debt to GDP, Gross only counted official U.S. government, corporate, and household debt. By his own admission, he excluded "shadow debt," which includes the derivatives trade and the vast bulk of total world financial aggregates. Thus, as the graph shows, Gross understates the rate of hyperinflation by a full order of magnitude: The ratio of U.S. debt to dollar of GDP grew by 500% in the last 27 years, but the ratio of financial aggregates to dollar of GDP grew by 5,000% over the same period.

But GDP is a bloated, phony measure of the physical economy. If that were factored out, the growth of financial aggregates to real production would be worse still—by far.

This rapid money-pumping, today called Quantitative Easing, is justified in Congress and elsewhere as "good for the economy." Yet, as **Figure 2** on "Quantitative Easing and U.S. Banking Activity" shows, this emission has been accompanied by a *decline* in bank lending. And, of course, a lot of that lending, as measured by the Federal Reserve, does not go into the productive economy. If that fact were reflected, the collapse of lending would be much, much steeper.

FIGURE 1
Hyperinflation Run Amok
(Dollars of New Debt per Dollar of New GDP)

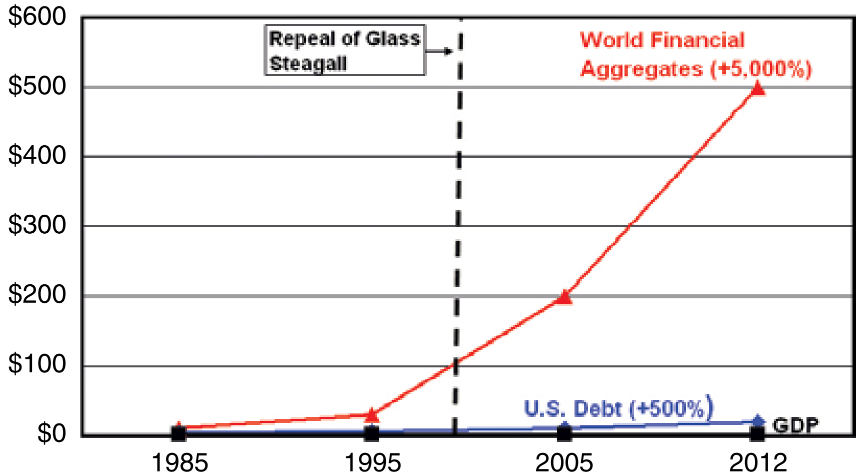

FIGURE 2
Quantitative Easing and U.S. Bank Activity
(Trillions of Dollars, Cumulative Change)