STATEMENT BY LYNDON LAROUCHE

Bernanke's Money-Printing Is Hyperinflationary

The LaRouche Political Action Committee (LPAC) issued this statement on Sept. 16.

Economist and statesman Lyndon LaRouche today characterized Fed Chairman Ben Bernanke's monetary policy as "turning a major crisis, into a hopeless crisis," versus his own alternative, proposed in 2007, as "*the* issue" of urgent comprehension of economics and policy in this crisis.

A Washington researcher with expertise in the history of central bank policies had told LPAC on Sept. 15, that Bernanke intended to "keep Fed interest rates well below 1% for at least two years, and likely for three years." Bernanke thinks it's necessary, and inflation will have to be "contained" by other means than letting up on printing money, he said.

"Bernanke is, of course, utterly incompetent, and to a degree of gross stupidity," LaRouche said. "His process of printing money, is simply already hyperinflationary. What is collapsing is the sense of the financial world, which is collapsing on them. And the more they print money, the greater the rate of collapse in the financial sector. Because the physical production is collapsing. The financial sector's great problems are based on problems in the physical sector. What Bernanke and company have done, is what Greenspan did, really clearly, co ming out of October 1987. What they do, is they say, we pump monetary aggregate in, and it's the monetary aggregate that will cause a recovery. And therefore they say that in order to have a recovery, we have to put in a higher rate of monetary aggregation, in order to increase employment.

"But it's the higher rate of monetary aggregation that is crushing employment!

"So there's only one thing you can do in a case like this: You put the damned system through bankruptcy, and eliminate the monetary system. You get only the financial system and the physical economy as your only real elements which are determining the international process; then you can get a recovery, especially through a Glass-Steagall standard and reorganization. But you have to bankrupt this entire monetary sytem, which is directly opposite to what these creeps are doing.

"You have to go back to when we proposed the HBPA [Homeowners and Bank Protection Act] in 2007. At that point, we could still have a simple reorganization in bankruptcy procedure, which would have stabilized the situation and would have allowed a recovery driven by a Federal credit system. What they did to prevent that from being installed, with this hyperinflationary system, a really runaway inflationary system—what they did, as typified by Sen. Chris Dodd and Rep. Barney Frank, was the worst possible thing you could do. So you turn a major crisis into a hopeless crisis.

"When people talk about economy, *this* is *the* issue. And if they are not talking about this issue, then they are just babbling away nonsense."

LaRouche's 'Triple Curve'

LaRouche caged the Greenspan/Bernanke hyperinflationary policy and its effects, within the context of his 1996 heuristic Triple Curve economic collapse function (**Figure 1**).

"There are people who recognize, just by looking at my triple curve, . . . that the breakdown crisis is when you get the three effects: the decline in actual physical productivity per capita; combined with an increase in

FIGURE 1

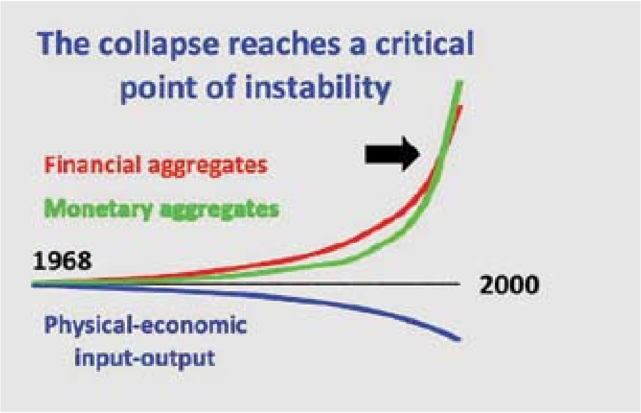
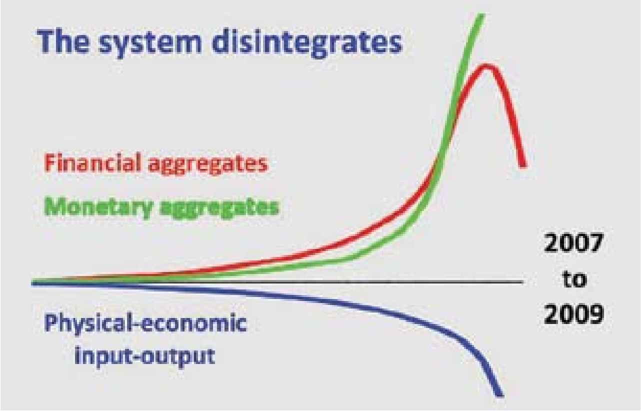


FIGURE 2



hyperinflation, that is, a self-inflating rate of monetary inflation; and you build up toward bankruptcy in financial processes, which become progressively deflationary. This is the case in the past three years.

"So you have an increasing rate of inflation—that's hyperinflation. The entire monetary process internationally is hyperinflationary. Whereas the financial process, apart from the financing of monetary aggregate, is deflationary. And also deflationary, is that you have an ongoing deep depression in term of physical values. That is, the percentile of the population that is actually producing wealth—physical wealth, not bullshit wealth. So you take these three values—physical production, not paper production, not accounting production; and then you have the hyperinflationary curve in monetary aggregates, of which the bailout was the accelerator of hyperinflation; but you have a deflation in the financial transactions which pertain to the real economy.

"So these three factors are there, which mean you're in a system which is inherently going to burst apart. The whole system is worse than bankrupt, and it's going to blow out. There are two ways: It can have a sudden blowout; or, more likely at this stage, the way this thing will behave in the short term, would be a series of cycles, building up, where it resonates throughout the world, and then it comes to a complete breakdown. That's where we are at.

"Bernanke and the others are talking about exactly that. They are living in the triple curve reality, exactly as we've defined it, especially in the recent reports on that, that we've put forth in the webcasts. That's the reality. This means the system is already as good as dead, or worse than as good as dead. It's already begun to rot, even before it dies. So it's a walking corpse, rotting away, waiting to be declared dead.

"This is what I presented in January 1996, and this is exactly where the history of the planet has gone in that process, in that way, ever since. We're talking about 13 unlucky years, from January 1996 to 2009."

In the field of economic science, LaRouche said, "We should make this argument, and put it in print right way. Because we do have a core of economists who have come to undertand the triple curve. It's those who don't understand the triple curve, or look at it as some kind of a novelty, who don't understand that that's the basis for all competent monetary and physical theory. We will have a monetary process of some sort, which is a by-product of a physical process. But, you have to explain it as it actually is connected, this triple curve concept.

"You can go back and show it; even though what happened in Germany back in 1923 was artificially induced, politically; what we have today is a global model, which is not a contained situation, as Germany in 1923 was. But the global model is the same kind of problem. You try to get a monetary answer: They want to pay the war debt, the Versailles war debt which was sucking at the system. And you maintain the economy to the degree you can use it to try to generate growth in the economy to pay the war debt.

"This had the opposite effect: It made the war debt problem impossible."

At the Federal Reserve, LaRouche said, "Bernanke and company are acting like a person who is trying to conceal the fact that their institution is bankrupt. He's behaving as if he were aware of that problem. He's behaving as if he believes that the institution may be hopelessly bankrupt.

"These guys are really nuts: They are stupid and nuts!"