

Editorial

Hyperinflation Is Hitting U.S. Economy

The “boom” currently ongoing in the U.S. economy is the crashing of waves of inflation over the heads of the American population. The mass media still intimidate all but a few from letting themselves be heard saying this; the Wall Street markets are supposed to absorb the attention of all, attracting the great paper-printing operations of the world’s central bankers, and shining upon us all with the gloss of pure greed. But the truth is that hyperinflation is beginning to hit producer sections of the economy and to burst out into ordinary citizens’ electric bills, oil and gas bills, housing costs, etc. The so-called “core rate of inflation” being foisted on us in monthly announcements of U.S. government agencies, is a fraud. So also, is the Federal Reserve’s claim that it has stopped raising interest rates because inflation is under control. These are not only election-year frauds, but frauds to hide from view the looming financial explosion which the Group of Seven leaders wish not to contemplate.

Take the example of housing, as *EIR* economics researcher Richard Freeman will do in exhaustive detail, in next week’s issue. The market price of all housing in the United States rose from \$7.6 trillion to \$11 trillion in the last five years; but home prices in nine California counties rose by between 15 and 39% in the last year alone. Every fifth home in the United States is now priced over \$250,000. On block after block, town to town and city to city across the nation, every fifth home costs over a quarter of million dollars, and every 20th home costs a million dollars or more. As for rental housing, the percentage of household income which Americans pay for rent in major cities is sharply increasing.

No mere shortage of housing in this or that state could cause such increases; but only pure speculation in the market. In this case, it has been due to the paper-floating operations of the Federal quasi-governmental mortgage brokerage agencies Fannie Mae and Ginnie Mae, which were a key part of the Federal Reserve’s

papering over of the Fall 1998 financial crisis.

In this sector and in other sectors, asset inflation began to jump over toward hyperinflation during the August-October 1999 period, due to the insane “wall of money” policies toward the financial crisis, of Treasury Secretary Larry Summers and Federal Reserve Chairman Alan Greenspan, and those policies they have forced upon Japan in particular.

The housing sector is not unique; surging inflation has struck all the energy and power-related sectors of the economy, has returned with a vengeance to HMO-run health care and has also burst into the realm of industrial commodity prices in many sectors; and a growing list goes on from there.

Lyndon H. LaRouche, Jr. has repeatedly stated that these central bankers and the private financial interests for which they are acting, face only three possibilities under their current policies of trying to save the unsalvageable global financial system now: a hyperinflationary spiral; a deflationary blowout of asset prices; or wars breaking out all over the globe arising from the same policies. The only sane alternative to these, is an agreement to a New Bretton Woods system which puts the vast tens of trillions of unpayable obligations in this bubble, into an orderly bankruptcy.

Since President Clinton was induced to retreat from his September 1998 call for a monetary change to avert “the world financial crisis in 50 years,” the decision has clearly been made to hyperinflate money supplies and asset prices to keep the global bubble growing.

It is that decision which is now having its lawful consequences, in wave after wave of inflationary impulses, all being studiously ignored in every public commentary on the U.S. economy, but bruisingly felt by the businesses, citizens, and local agencies which must pay the price. It is past time that Americans stop denying reality and start demanding a solution to a financial crisis which no Presidential candidate but LaRouche would acknowledge, or can deal with.