

I. Economics

THE CHARACTER OF TODAY'S INFLATION

LaRouche's Triple Curve Explains It, His Four Laws Solve It

Oct. 26—For a decade after the 2008 global financial crash, the major central banks wrung their hands that they could not “stimulate inflation” anywhere near 2%. Now since their “regime change” decision at the August 2019 Jackson Hole, Wyoming bankers’ conference, they have shocked even themselves by setting loose an inflationary storm which has, as it has blown across the world, dramatically increased inequality, unemployment and poverty in the developing countries. London and Wall Street banks and compliant politicians have blamed this on the COVID pandemic to try to motivate a “Great Reset,” the so-called Green New Deal. But *they* have caused it, since the September 2019 “repo crisis,” by taking the vast oceans of new electronic reserves the central banks have created for them and turning them into pure speculation.

The hyperinflationary money-printing policy of the central banks would not be setting off storms of inflation without the simultaneous absence of productive investment, or new productive employment, in the “advanced” economies—and indeed, the destruction of economic productivity by “the great leap backward,” the Green New Deal. *EIR*'s warning [report](#) of February 2021, called *The Great Leap Backward*, fully described what has happened since.

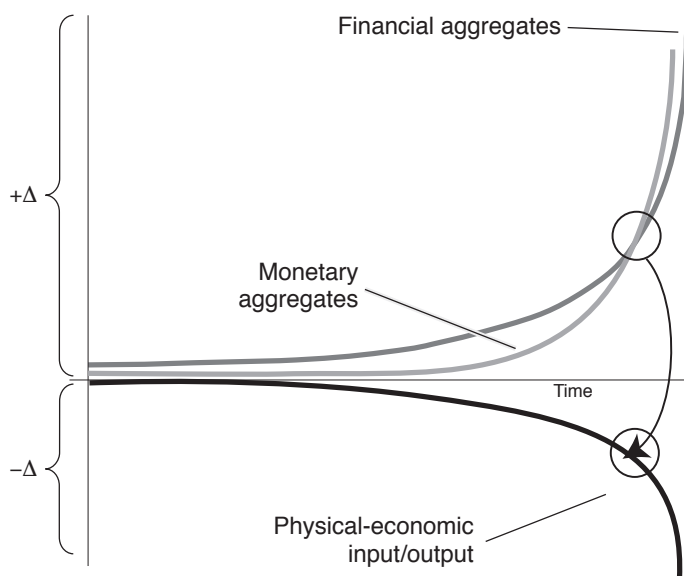
‘The Great Inflation’

We should think of “the Great Inflation” of the 1970s. Then, the highly productive economic relationships of the Bretton Woods monetary system were destroyed by President Nixon’s forced blunder removing the dollar from its gold reserve, and were replaced by massive international speculation. The eurodollars and petrodollars of that new global debt speculation were created by the City of London banks themselves, then

joined by Wall Street. And the printing of these dollars of international debt was arranged to be backed by the revenues of oil producers—and so as if magically, there followed hyperinflation of oil and other fossil fuel prices.

There was an “oil shock,” or “oil hoax” as it was called, like the “gas shock” and “coal shock” produc-

FIGURE 1
The Collapse Reaches a Critical Point of Instability



EIR

ing inflation, blackouts, and “stagflation” in the world’s leading economies today. “The effect of this,” LaRouche stated, “was to make the dollar, which was still being used, no longer really a U.S. dollar internationally. It became an Anglo-American dollar, a ‘petrodollar’.”

In the late 1990s, Lyndon LaRouche drew a picture of the coming death of the American and European

FIGURE 1

Two Shock Waves of Commodity Inflation in This Century

Commodity	Unit	July 2000	July 2005	Change 2000-05	July 2009	July 2019	Change 2010-19	July 2019	July 2021	Change 2019-21
Oil	\$/bbl	28	56	+100%	64	61	-5%	61	73	+20%
Coal	\$/mt	27	51	+89%	73	72	-1%	72	146	+100%
Natural gas (Eur)	\$/mmbtu	3.96	6.42	+62%	6.67	3.62	-46%	3.62	12.51	+246%
Nat. gas (U.S.)	\$/mmbtu	3.96	7.63	+93%	3.39	2.34	-31%	2.34	3.76	+70%
Hard Red Wheat	\$/mt	109	144	+32%	196	196	0%	196	245	+25%
Maize	\$/mt	75.27	107.52	+43%	163.76	189.42	+16%	189.42	278.43	+47%
Soy meal	\$/mt	190.00	244.52	+28%	440.22	348.73	-21%	348.73	470.02	+35%
Chicken	\$/kg	1.32	1.65	+25%	1.95	1.99	+2%	1.99	2.38	+20%
Shrimp	\$/kg	14.77	9.91	-33%	9.05	11.95	+32%	11.95	15.86	+33%
Rock phosphate	\$/mt	44	44	0%	90.0	80.0	-11%	80.0	125	+56%
Urea	\$/mt	121.70	221.88	+83%	243.75	263.50	+8%	263.50	441.50	+68%
TSP solvent	\$/mt	140	201	+44%	224	284	+27%	284	555	+95%
Rubber	\$/kg	.58	1.45	+150%	1.60	1.41	-12%	1.41	1.63	+16%
Aluminum	\$/mt	1563	1778	+14%	1668	1796	+8%	1796	2498	+39%
Tin	\$/mt	5343	7169	+34%	14,039	17,978	+28%	17,978	34,020	+89%
Lead	\$/mt	452	854	+89%	1678	1976	+18%	1976	2338	+18%
Nickel	\$/mt	8164	14,580	+78%	15,985	13,546	-15%	13,546	18,818	+39%
Copper	\$/mt	1799	3614	+101%	5216	5941	+14%	5941	9450	+59%
Zinc	\$/mt	1136	2194	+93%	1578	2446	+55%	2446	2947	+20%
Iron Ore	\$/dmtu	29	65	+124%	84	64	-23%	64	214	+234%

Source: World Bank

dmtu = dry metric ton unit
mt = metric ton

mmbtu = million British thermal units
kg = kilogram

bbl = barrel
TSP = tri-sodium phosphate

productive economies in the crash he saw coming. LaRouche called his instructive graphic, “The Triple Curve—A Typical Collapse Function.”

The Triple Curve shows the case in which productive economic activity—industry, infrastructure building, agriculture, mining, construction—is declining at a worsening pace; the total volume of debt burdening the economy is growing at an increasing pace; and the money supply is also growing at an increasing pace to keep the debt liquid. That nation or region will go into physical-economic collapse unless financial reorganization policies are forcefully introduced and quickly backed by credit for economic development.

And when the money supply is artificially increased more rapidly even than the debt itself—at that “cross-over point”—a financial crash is looming. In mid-2007 LaRouche publicly announced that that crash was unstoppable except by a complete reversal of financial and economic policy, and it came in late 2008.

Where Hyperinflation’s Impulse Comes From

Observe the path of inflation in commodities since then. Take a representative sample of 20 major international commodities: oil, coal, natural gas in Europe,

natural gas in the United States; hard red wheat, soy meal, maize, chicken, shrimp; rock phosphate, tri-sodium phosphate solvent; urea; rubber, aluminum, tin, lead, nickel, copper, zinc, iron ore. (See **Figure 1**.)

During the five-year period from July 2000 to July 2005, almost all of these commodities rose in price by between 50% and 100%, *riding global financial speculation into its 2007-08 crash*. The crash and so-called “Great Recession” deflated most of them, along with the prices of financial assets (stocks, bonds, other securities, derivatives), which collapsed.

For a decade, beginning as the global financial system was crashing, the major central banks intervened on a scale never seen before that time, with tens of trillions of dollars to “support” big banks and financial sectors, vowing that by doing this, they would also restore inflation and economic growth. The value of *financial assets* of all kinds grew steadily—during some of that time, explosively—and global billionaires sprouted like mushrooms after a storm. But neither growth nor inflation ensued. From July 2010 to July 2019, the prices of half of the commodities mentioned above *declined*, the other half rose, but by small amounts when considered over a full decade.



CC/Policy Exchange

Mark Carney



WEF/swiss-image.ch/Michael Buholzer

Laurence Fink, Chairman and CEO, BlackRock

The Central Banks' 'Regime Change'

But at the August 2019 central bankers conference in Wyoming, Mark Carney and a gang of central bankers and executives at BlackRock, Inc. determined to push "regime change" and take central bank control over government spending and private sector investment flows in order to launch a dramatic shift into "green finance," sometimes called the Great Reset.

QE5 (the fifth round of Quantitative Easing) started on October 4, 2019. The COVID pandemic then *cut off production* across the world. The Federal Reserve and European Central Bank in March 2020 launched a completely unprecedented pace of QE of more than \$250 billion per month between them. The so-called "Green New Deal" was driven forward, which—it is now very clear—reduced productivity. It cut production of all fossil fuels, while failing to replace them with any reliable baseline power and heat. And so it spread energy chaos. At the same time, in a "Fed-Treasury partnership" brokered by BlackRock, Inc., the U.S. Treasury borrowed \$5 trillion in "COVID relief" funds in a year through the CARES Act and the American Rescue Act, to drive private sector spending. "Trillions were shifted" toward the new green finance bubble.

The worldwide collapse of production and productivity, since very early in 2020, continues. Look at the American physical economy. Since 2019 it has shrunk by 500,000 productive jobs, 5.5 million overall jobs, and has lost 3% of industrial production. The American workforce itself has shrunk by 5 million since 2019.

With *that* going on, the \$14 trillion Fed-plus-Treasury-plus-European Central Bank money-printing *during 2020-21 alone* meant that the Triple Curve col-

lapse function would now end in a combination of an economic breakdown and an explosion of inflation.

And in fact, in just the two years between July 2019 and July 2021, all 20 of the above commodities rapidly inflated: the agricultural commodities by 20-25%; the rest by far more, up to 250%. Most of these inflated in the range of 20-50% in those two years.

And worse, the two-year burst of commodity inflation measured here by the World Bank's "Pink Sheet" data, goes only through July, four months ago, when retail inflation was really just getting started. In the energy commodities, the inflation has accelerated further from July until this end of October. This is the hyperinflationary process described by LaRouche's "Triple Curve" collapse function.

And How To Stop It

During that earlier period in this century, LaRouche also designed and publicized the actions which must be taken to stop such a spiral and start recovery.

- Long-term, state-to-state contracts for energy commodities, freezing out speculators in "paper gas," "paper oil," etc. What LaRouche insisted on in 2001, when oil first went over \$100/barrel, Russian President Putin is now demanding for natural gas supplies.

- Glass-Steagall reorganization of banking, breaking up megabanks which are using their current huge deposit bases for speculation and for lending to other speculative financial operations.

- "Hamiltonian" national banks in every nation, to participate in the credit for projects of new infrastructure, as pioneered since 2013 by China with the Belt and Road Initiative.

- Agreement of major powers outside the City of London on a "new Bretton Woods" credit and monetary system which will keep exchange rates stable for long periods.

- Funding of development with the most advanced energy-dense technologies, and of crash programs for fusion energy development and space exploration.

And now, in today's strategic and human crisis, we must add:

- Rapid increase of food production, to double it worldwide, and construction of new health and public health systems—obviously, the focus immediately falls on Afghanistan, Haiti, and other nations where economic life, and life itself, has collapsed.