When petrochemicals and metals prices suddenly took a plunge from Feb. 8-15, it was reported that governments were trying to intervene against the growing hyperinflation, by raising interest rates. The Japanese government leaked rumors on Feb. 8 that it would abandon its effective zero-interest-rate policy—setting off a commodity-prices drop—though it then denied taking any immediate action. U.S. interest rates have been rising through February. But the financial locusts were simply dumping metal and other commodity futures temporarily to speculate in interest rates.

Governments could exercise greater force against the hyperinflation by intervening to stop the Mittal takeover of Arcelor, as a signal that the galloping monopoly mergers in coal, aluminum, copper, steel, and other industries might be undone. But the dumping of Dick Cheney would be a more powerful step, because what is necessary above all, is to prevent an attack on Iran from triggering $100-plus/barrel oil and a completely uncontrollable hyperinflation.

Hyperinflationary Patterns: Inflation Runs Wild

by Lyndon H. LaRouche, Jr.

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The world is presently gripped by a hyperinflationary wavefront of a Riemannian type. The situation is already comparable, at its primary-commodities "spear point," to Germany during the second half of 1923, with the other categories, such as consumer prices generally, on the way to being driven to overtake the effects seen currently in the domain of primary commodities being led, as a pack, by wild-eyed petroleum-price speculation.

Think of the way in which a "sonic boom" moves across the landscape, with its point running ahead and the effects on the ground coming up afterwards as the conical front of the wave moves onward. Think of a shaped-charge detonation "seen" from the "inside."

From that standpoint, the system as a whole is already in a state comparable to some point in the second half of 1923 Weimar Germany. We must estimate the general shape of that monetary-financial-economic "sonic boom" front's movements, slightly understating the actual effects for the sake of not stumbling into accidental overestimations which might impair the credibility of our warnings. However, consider the hyperinflationary explosion fully on, in ways comparable to the second half of 1923.

Beyond that broad-brush, historical view of the matter, there are significant differences in detail which we must recognize.

The leading edge of this rising hyperinflationary panic is the hedge-fund crisis centered in hot spots such as the Cayman Islands (where Satan spends his weekends visiting his closest human relatives, and their money). In the attempt to bail out of the Spring bubble's collapse, the hedge-fund money focussed on hyperinflationary gambles in primary materials, led by the control over petroleum markets. The attempt to turn vast masses of newly generated fictitious liquidity into apparent profits in commodities, that at rates sufficient to stave off the inevitable collapse of their monetary-financial system, a shock-wave-front-line acceleration of primary materials rise, led by petroleum prices, moved like an accelerating supersonic vehicle across and above the landscape below, sending

Shocks in Unsound Economies

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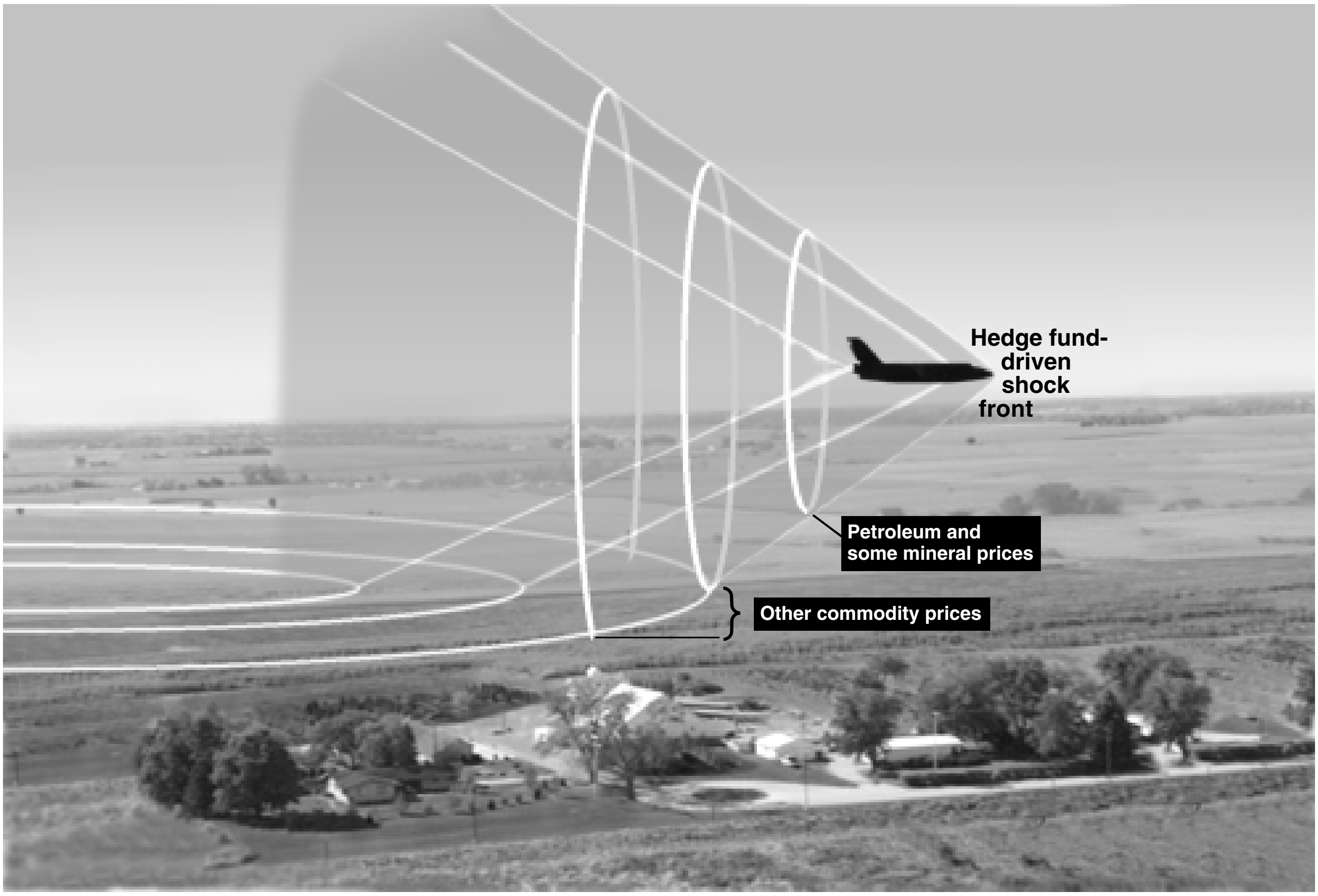
In both the present case, as in 1923 Germany, a hyperinflationary explosion was building up over an extended period. In this case, the origin of the condition which caused this chain-reaction-like present explosion of primary commodities and other prices has been building up since the mid-1990s, with the subsumed points of inflection of 1997-1998. Ironically, the measures used to control the aftermath of the LCTM hedge-fund crisis, actually created the preconditions for the explosion which has now occurred, that in a manner similar to the way a building-up explosion of prices was contained until approximately the middle of 1923, when the explosion of the wild hyperinflation then occurred. A condition of "overload" was approached, akin to the discomfort of the supersonic aircraft (or would-be supersonic aircraft) as it approaches the relevant boundary-condition of the process.

Thus, this present hyperinflationary outburst has been building up since the immediate aftermath of October 1987, when the U.S. economy slipped into the implicitly hyperinflationary mode launched under Alan Greenspan's assumption of the post of Federal Reserve Chairman: a point in the process comparable to approximately May-June 1923 in Germany has already been reached. The attempt to bail out the hedge funds has triggered the shift from contained hyperinflation to explosive hyperinflation, a critical, uncontrollable phase of the present system, a phase comparable to a Riemann shock-front has been entered. Without a sudden change in the system, as Riemann's work implies, the world economy is now doomed to an early and ugly, chain-reaction collapse.—*Lyndon H. LaRouche, Jr.*

FIGURE 1

LaRouche-Riemann Conical Shock Wave Model of Hyperinflation



The present hedge-fund-driven hyperinflation is comparable to a sonic boom moving across the landscape. At the tip of the cone, where the shock front forms, is the speculative bubble in hedge funds and related derivatives, orders of magnitude larger in monetary value than the physical economy. The commodity price inflation, led by petroleum and certain minerals, is dragged along in the opening conical tail. Prices of other commodities and consumer goods lag behind in time and are diffused as they spread out in the conical opening.
As in the Gauss-Riemann representation of the complex domain, visible or empirically determinable measures (in this case prices) are actually being determined in the non-visible, complex domain. A Riemann-type shock front forms at the cone-shaped boundary layer where the rate of increase of out-of-control speculation confronts the declining rate of real physical economic growth.

shattering shocks to the land-based economy as the trailing edge of the cone touched land below.

Thus, the rate of inflationary rise of prices of petroleum and related primary commodities now, is the rate which is already in the process of striking commodities on the land below the passing of the hedge-fund-drive hyperinflationary shock-point. That is the gist of the way in which you must think about this situation. What is hitting in the petroleum-price domain is the current trend of onrush of prices of all commodities in general. Do not commit the blunder of measuring price-changes from the ground up; the rate of change on the ground-level is actually the rate of change expressed as oil-price inflation.

The conical function [the graphic on this page—ed.] is a simulation of a higher-order actual process; but, the general effect of a conical function is correct, nonetheless.

There are several ways in which this could be refined. All proceed from the fact that it is the rate of acceleration of the price-inflation at the nose-sector (the apparent point of the cone) that is the determinant of the rate of hyperinflation. The actual hyperinflation is generated in the financial-derivatives sector prior to the oil-price-zoom effect (an area of high turbulence in at the front of the tip of the first commodity-transaction, e.g., petroleum). The characteristic which defines the hyperinflationary rate is the rate of acceleration relative to the normal price-commodity turnover in the economy. Hence the relationship of increase of speed, measured in "Mach-number"-like increments, to the "speed of sound," the resonant rate of commodity turnover in the base-economy relative to petroleum primary commodities.