

# Wall Street and the Fed Are Killing with Inflation

by Paul Gallagher

Oct. 5—The “inflation measures” published by the Federal Reserve and the Labor Department should be considered under the heading of lulling notices, an illegal form of lying to customers or creditors. In this case they are repeated so relentlessly by these authorities, that the American people are lulled into failing to stop a hyper-inflationary money-printing policy carried out by the Fed, known as “quantitative easing,” although they know these inflation measures can’t be true.

Also protected by this means is the super-speculation of the largest Wall Street banks, supposedly commercial banks, whose books in fact show that their huge deposit bases have been thrown into securities speculation and financial derivatives markets, with little over a third of the funds loaned out. This started on a large scale in the late 1990s with the end of the Glass-Steagall Act, which for 60 years had successfully prohibited commercial banks from doing exactly this. Within less than a decade came a global financial crash. Now, the Federal Reserve prints trillions of dollars to buy securities from these banks, flooding them with “cash reserves” which the banks park at the Fed until thrown into securities, commodities, and derivatives speculation via “repo” markets and other means.

Fed Chairman Ben Bernanke, while pushing this hyperinflationary policy, then has the gall to tell Congress and the media that since all this newly printed currency is avoiding circulation in the economy—that is, the banks are not making commercial or household loans with it—it’s not causing inflation!

## **Government Lies**

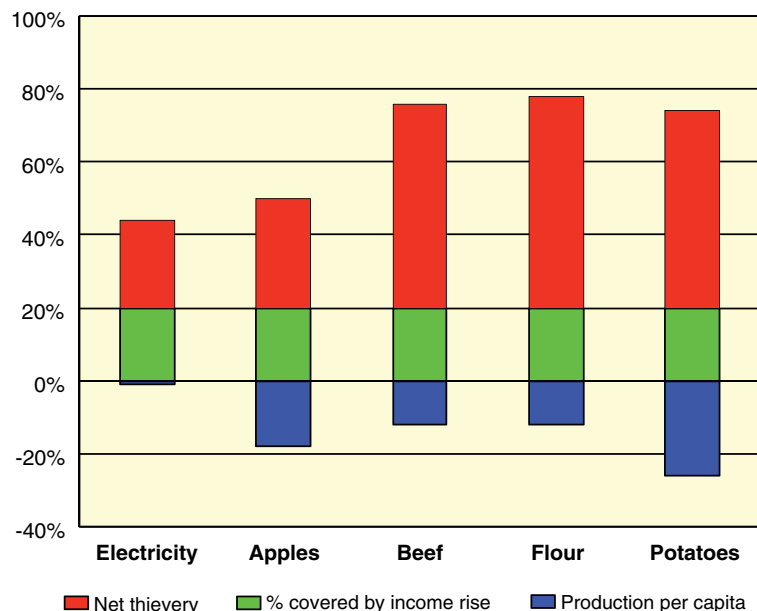
The LaRouchePAC National Policy Committee’s national leaflet, “Wall Street Is Out To Kill You,” (see last issue) shows what a lie this is, using the government’s own raw data from the Congressional Budget Office (CBO), the Labor Department, and the Energy Information Agency.

Since even before the 1999 Glass-Steagall repeal, American households’ average income has been growing by no more than 2% a year. But the Policy Committee’s survey showed that since 1999, most of the everyday products Americans must purchase—food, clothing, shelter, energy, education—have been inflating in price by 3-4% a year; and some, particularly energy products, by 5% a year, a rate which made them triple in price, or more, over the past 15 years. If the Federal Reserve and the Administration were not lying about this killer inflation, Americans would not be constantly more and more in need of food stamps, and threatened by “food insecurity” in spite of them.

The lying is done by means of two frauds. The first is the consumer price index (CPI), which supposedly measures inflation. Already in the early 1980s this was falsified by what the government called “quality adjustment factors”: It claimed that a product was of higher quality than it had been 5 or 10 years earlier, and that this was equivalent to getting the same quality for a cheaper price; therefore, the government put a lower price in the “index” than the product was actually selling for.

## Hyperinflation Thievery From Your Paycheck: Prices Soar, Production Collapses

(% change, 2000-2012)



Then in the late 1980s came “hedonic indexing”: If a product could be claimed to give consumers greater enjoyment than the same product a decade earlier (an HD TV, for example), that was supposed to be like getting the earlier product for a cheaper price; therefore, the government put an artificially low price in the “index” for the newer product.

On top of these, in the 1990s, came “substitution pricing” in the consumer price index: If a product rose sharply in price, the government assumed that households would find and buy cheaper versions—ground meat instead of roast beef—and so if there was any red meat product not rising in price, it did not raise the price of meat in the index.

The second fraud was continuing to cite an “average” rise in individual income over a certain period, and then measure that “average” income increase against the already-falsified rise in prices in the CPI, and call this an “increase in real income,” or inflation-adjusted income. In reality the rise in income was going almost entirely—and in the last decade, entirely—to individuals in the top 20% of income earners. Everyone else’s income was not rising at all, or since 2007, was actually falling, and at the mercy of the very real and rapid increases in prices of necessities.

### ‘Real’ Impoverishment

First, using the data gathered by the CBO, take even the fraudulently minimized inflation toll of the CPI, and

apply it separately to each sector of American households by income—the lowest 20%, the next 20%, and so forth to the top 20%—to give that sector’s so-called “real income.” What is shown, is that the “real income” of the three lowest quintiles—the lower 60% of all households—dropped by 10-20% from 1999 to 2011. Only the real household income of the upper 20% rose significantly—it doubled—and that was concentrated overwhelmingly in the top 1%, whose income more than tripled, when adjusted for the CPI.

The effect for the lower 60% of households by income was dramatic, as shown in the La-Rouche Policy Committee’s leaflet: Actual income rose by about \$500/year during that time; and those households’ actual, unpostponeable expenses rose by nearly \$5,000. “Dipping into savings” to cover the loss was not an option for most of these households, whose savings were negligible. Their conditions of life deteriorated, and they went deeper into debt, even

before the wave of mass unemployment and home foreclosures swept over them from 2007 on.

Second, drop the fraudulent CPI and look at what’s actually happened to the prices Americans have to pay to live. In the 14 years from 1999 to 2013, the average household’s actual income, including all households from the poorest to the richest, increased by about 22%, according to Labor Department data.

But during that period, in spite of a financial crash and unemployment hitting from 2007 onwards, actual inflation rose dramatically. The price of household electricity per kilowatt-hour rose by 50%; of gasoline, by 180%; and of heating oil, by 272%, or about 8% a year for the 14-year period.

Meanwhile, the *actual* price of a gallon of gasoline has increased by 180%; of a gallon of heating oil, by 372%; of a kilowatt-hour of electricity, by 50%; of spaghetti and macaroni, by 50%; of flour, by 75%; of bread, by 50%; of ground beef, by 85%; of men’s shoes, by 110%; of all department-store items, by an average of 40%; of fair-market rent, by 50-70% depending on area of the country; of a new home, by 78%; of college one-year tuition/room & board, by 85%; of a mid-sized car, by 50%. This is not to mention health insurance premiums and other costs, which have been escalating their rise as Obamacare goes into effect.

Wall Street will kill us if we don’t kill it. (And the cost of a family funeral has risen 44%.)