

the position of aircraft carriers. The *Reagan* is in the Gulf Region. The *Enterprise* left Norfolk for the Middle East on May 2. The *Lincoln* did a port call in Singapore on April 30, apparently moving in the direction of the Middle East.

"I'm watching events carefully," he concluded.

While an unprecedented number of retired generals and admirals have come out with public calls for Defense Secretary and longtime Cheney ally Donald Rumsfeld to be fired, in what is widely read as a campaign to prevent military strikes against Iran, the desperation and outright insanity displayed by the Bush-Cheney White House in recent months mean that nothing short of a top-down cleanout can assure that the preemptive war against Iran will not happen.

France, Germany, Poland

The collapse of governments in the Anglo-American world extends to continental Europe, and for the same reasons, of clinging to the bankrupt axioms of a failed system. In France, President Jacques Chirac is in a three-way race to the bottom, with Cabinet ministers and wanna-be Presidential successors Nicolas Sarkozy (Interior Minister) and Dominique de Villepin (Prime Minister). The French institutions are gutted and sinking from corruption, as reported below. Germany, under Angela Merkel's Grand Coalition, is not going anywhere. Italy has successfully made the transition from a *non-government* of the right (headed by Prime Minister Silvio Berlusconi) to a *non-government* of the left (headed by Romano Prodi). The financial institutions of Spain, which are an adjunct of the City of London financier oligarchy, are being badly rattled—by a pyramid scheme involving sale of precious stamps and "stamp-based securities"—which unquestionably has international repercussions in the financial community. Poland, along with other Eastern European states caught up in the euro-trap, are all going down, each with its own unique, sad story. It is one big string of failed states.

What is far more important than the soap opera details that distinguish each separate instance of collapse of political institutions, is the factor that is universal. In each and every case, these governments are clinging to principles and traditions that have already failed, and led the global financial system to the point of disintegration. So long as these governments defend the present policy axioms, they are all doomed. Globalization has failed; yet these so-called Alliance "leaders" desperately defend it. Deregulation has gutted the economic infrastructure of the United States, Britain, and the European continent; yet no action has been taken to reregulate or invest in rebuilding infrastructure. And Lyndon LaRouche recently delivered a pointed reminder to members of the United States Senate: Nobody who remains attached to Synarchist banker, and would-be Democratic Party fixer, Felix Rohatyn, is going to make it. Not only will he bring them all down politically. He will steal and squander their money on the way down.

The Financial Bubbles Are About To Burst

by EIR Staff

In the midst of Weimar-style hyperinflation, which has taken precious and industrial metal prices to all-time highs, occasional short-term dips by profit-taking notwithstanding, the world's financial markets were suddenly hit with a wave of dramatic turbulence during the second week of May. Stock markets in both the industrialized nations and the emerging markets were hit with major sell-offs, at the same time that the prices of the major commodities began to jump around like a yoyo, and bond markets soared.

Internationally, a number of financial commentators pointed, with good reason, to the possibility that these rapid shifts were the result of financial problems hitting some of the large hedge funds which have been driving the commodities markets into the stratosphere.

Warning of upcoming problems was the now-frequent Cassandra of the New York Federal Reserve Bank, its chief Timothy Geithner, who cautioned in a speech on May 16 that the odds are rising of "negative surprises" in the markets. "The major dealers, as well as the large commercial and investment banks, should take a cold, hard look at financing conditions and margin practice, particularly with respect to hedge fund counterparties and in OTC [over the counter] derivatives," he said.

A more explicit warning came from London *Guardian* economics editor Larry Elliott on May 16. Noting various indicators of how commodities' prices have been going through the ceiling, Elliott writes: "So beware: All of this has bubble written all over it. It is a time of extreme danger for the unwary, with all the sadly familiar tell-tale signs of trouble ahead."

Simultaneously, the London *Daily Telegraph* published an article by Ambrose Evans-Pritchard entitled "Markets Braced for the Worst." The article said that global markets were braced for turmoil that day, after the slump in the U.S. dollar, and in equity and bond prices last week "sent tremors through the global financial system, evoking memories of the 1987 crash." Evans-Pritchard quoted one analyst: "The crash in the autumn of 1987 started with a massive dollar and bond decline in the Spring. We are experiencing exactly the same now."

Weimar Hyperinflation

Over the days prior to the turbulence, and in the wake of Lyndon LaRouche's April 20 article forecasting a likely

blowout of the bubble by September of this year, the international financial press had been filled with articles and commentaries, expressing profound nervousness and fear over the escalating ruptures on financial markets. On May 13, the German daily *Süddeutsche Zeitung* carried a lengthy piece on the “rush into gold,” citing fears of “hyperinflation” and the “breakdown of the system” by investors. The paper quoted a precious-metal dealer, who said: “Employees of big banks are among my best customers.”

Indeed, the price of precious metals has been rising exponentially. In 2006, after just four and a half months, the gold price has already shot up by \$213, closing on May 12 in London at \$726. Most of that rise occurred just within the last two months (\$181). This means that gold, just since the beginning of the year, is up 42%. The price of silver at the London Bullion Market has jumped up this year from \$8.83 to \$14.94 per ounce, an increase of 69%. Palladium and platinum prices have reached all-time highs.

At the London Metal Exchange, copper started the year at \$4,537 per ton. By May 12 it closed at \$8,619, an increase of 90% since the beginning of the year. Prices of zinc and nickel are at all-time highs, and the aluminum price is the highest in 17 years.

The price explosion of industrial metals and record-high energy prices are dramatically pushing up production costs in industrial sectors—from automobile production to machine building.

Even the Gnomes of Zürich

On May 18, financial mouthpieces in Europe sounded an even louder alarm. “The world economy is in an unsustainable condition,” the lead editor of the *Financial Times* said, according to the Swiss *Neue Zürcher Zeitung* of May 17. Reporting on a lecture delivered in Zürich by Martin Wolf, co-editor of the *Financial Times*, the Swiss paper wrote that Wolf warned that things cannot go on like this much longer. The world is posed with two uncomfortable scenarios, he said, namely 1) the “positive” scenario: a severe but controlled correction, or 2) the “negative” scenario: an explosion, which will send the world economy into a deep crisis.

For its part, the *Süddeutsche Zeitung* urges putting the hedge funds “on a leash,” to try to prevent another LTCM-size disaster, which would threaten the entire financial system of the globe. Banks are saying they have reduced risks, and have the thing under control, but that does not sound very convincing, the paper writes; the interdependency of the financial markets and its players is so dense today, that another LTCM crisis would cause a much bigger disaster, than in 1998.

In fact, as LaRouche has warned, only a top-down reorganization of the world financial system, into a New Bretton Woods—the creation of a new system—could prevent a disastrous collapse one way or another. The situation is beyond the state of warnings: Action is required now.

Blair Joins Bush: The Lamest of Ducks

by Dean Andromidas

British Prime Minister Tony Blair’s regime is rushing down the same tube as that of President George W. Bush and his Vice President, Dick Cheney. Tony Blair’s lame-duck status was confirmed by the City of London’s own mouthpiece, the *Economist*, whose cover story May 11 was entitled: “Axis of feeble: A world bestriding partnership is drawing to a close,”

“They have been improbable soulmates, the silver-tongued British barrister and the drawling Republican from Texas,” writes the *Economist*, adding, “But the partnership between Tony Blair and George Bush has shaped world events in the nearly five years since the attacks of September 11th. Over the past year, however, the debacle in Iraq and problems at home have turned both leaders from soaring hawks into the lamest of ducks.”

Going on to describe the recent troubles of this feeble axis, the *Economist* continues: “This week Mr. Bush’s popularity drooped to 31% in the polls; his party faces a beating and the possible loss of one or both of the houses of Congress in November’s midterm elections. In Britain, meanwhile, much of the Labour Party, which Mr. Blair reinvented and led through three consecutive election victories, wants to bundle its savior into retirement and replace him with Gordon Brown.”

Blair’s descent began gathering speed earlier this year when the good ship “New Labour” ran aground in a series of scandals that broke out last April, leading to a chain of events culminating in a disastrous local election, in which the Labour Party came in third after the Conservative and Liberal-Democratic parties. (See “Blair as Captain of the Titanic,” *EIR*, May 19, 2006.) This was followed by a disastrous cabinet reshuffle and a “plot” to overthrow Blair’s party leadership.

The “plot” is being led by the Prime Minister’s neighbor, at 11 Downing Street, Chancellor of the Exchequer Gordon Brown, and includes 50-70 back benchers representing a smorgasbord of factions, including “Old Labour” traditionalists, and disenchanting Blairites. The plotters have demanded that Blair promise to turn over the party leadership “sooner, rather than later” to Brown, i.e., well before the next general election in 2009, and preferably by the end of this year. Although the two rivals met shortly after the May 4 election disaster, Blair refused to set a date for his departure as demanded by Brown, thus setting the stage for a leadership struggle at the party’s annual convention next September.