

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.

Like the sinking Titanic, the Labour Party under Blair is headed for the bottom. The first projected analysis for the next general election indicates that the Labour Party is facing a “poll wipe-out.” Compiled by the Electoral Reform Society, the poll shows Labour losing as many as 149 of its 355 Members of Parliament, bringing their strength down to 206. Despite its lackluster leadership and equally disastrous policies, the Conservative Party could win an additional 100 to 120 MPs, which would give them over 300 seats and the leadership of the next government.

## British Volcano

It is obvious that leading political circles in Britain see the danger of maintaining the “Axis of Feeble” between Blair and Bush. The disaster in Iraq continues, as the situation in the heart of the British zone in the South is spinning out of control, and exposing the myth that the British army is better at counterinsurgency than the U.S. military. An assassination reportedly occurs once every hour in Basra; the situation is no better than in Baghdad. British casualties, now at over 111, are proportionally identical to those of the United States. Blair’s alliance with Bush in the Iraq war is the most unpopular of Blair’s policies; and there are more and more voices being raised against the Bush Administration’s threatened use of force against Iran over its nuclear program.

Far more dangerous for Britain is the unfolding financial crisis: The City of London would be ground zero when the bubble of commodity price hyperinflation explodes. As the premier center of the world financial derivatives market, the City is sitting on trillions of dollars in derivative trades. It is has one of largest concentrations of hedge funds in the world, and is the home of the London commodities market, especially for precious metals, including gold, and industrial metals such as copper. With spiralling prices for commodities, London is a volcano about to blow its top.

With copper prices zooming to above \$9,000 a ton, several large City banks, with positions in copper at \$4,000, are in danger of losing huge sums that could lead to a chain reaction effect through the financial system.

Like their American cousins, Britons are buried under mountains of personal debt and home mortgages. With more than £1 trillion in personal debt, personal bankruptcies in Britain have hit an all time high. Over the last three months, there has been a 13% increase—and a 73% increase from the same period last year. In the first quarter alone, 21,251 people filed for bankruptcy. Meanwhile, there has been an increase in court actions by mortgage lenders to repossess homes, amounting to 33,442 actions in the first quarter of 2006, up 29% from a year earlier. Orders for repossessions rose to 22,990, a 57% increase over last year.

The saner elements in Britain, given the collapse of its industrial base, have been pushing for a revival of Britain’s nuclear-power sector, beginning with the replacement of Britain’s aging nuclear power stations with third- and fourth-

generation reactors. Under pressure from these interests, Blair, in a speech before British industrialists, made two months ahead of the release of the government’s energy review in July, called for the expansion of nuclear energy.

Blair’s endorsement of nuclear energy was a politically safe one: A recent poll by the Tyndall Centre for Climate Change Research found that 60% of Britons would support new nuclear power stations, as long as “renewable” energy sources were developed as well. Sixty-three percent agreed that Britain needed nuclear power as part of a mix of energy sources to ensure a reliable supply.

## Blair Could Go to Jail

Like Cheney, if Blair doesn’t leave office quietly, the police could be brought in to do the job. There are two parallel investigations ongoing. One is the so-called “cash for peerages” affair, in which big donors were promised peerages in return for donations to a secret Labour Party campaign fund controlled by 10 Downing Street as well as to the so-called “private academies,” one of Blair’s pet projects, aimed at the further privatization of education. The second, overlapping scandal, is the violation of the election campaign-funding laws, in which Blair failed to report the secret “cash for peerages” campaign fund to the elections commission as required by law.

Things began to heat up in mid-May after it was revealed that a Parliamentary investigative committee agreed to a request from Scotland Yard to suspend its own hearing; the police were concerned that the committee probe would compromise their criminal investigation. Just before these revelations, the Parliamentary committee had requested testimony from Lord Levy, Blair’s closest personal fundraiser. Levy is obviously a prime suspect, and will no doubt be questioned by the police.

The seriousness of the case was underlined by Labour MP Tony Wright, the chairman of the committee, who said, “It is pretty clear some of the witnesses we have identified are very much in the frame as far as the police are concerned. The police have advised us that taking evidence now from such people—and we took independent legal advice on this too—might conceivably cause some difficulty later down the track. The idea that this is not a serious inquiry is not true. This is a serious inquiry.”

The police expect the case to mature by September, just in time for the Labour Party convention where Blair could end up fighting for his political career, if not his life.

Later this month, Blair is expected to travel to the United States where he will hold what *The Times* referred to as a “lame duck summit” with the equally feeble President George W. Bush. No doubt Vice President Dick Cheney will be on hand, hopefully unarmed. According to *The Times*, the topic to be discussed will be Iraq. Blair reportedly is travelling to Washington because he doesn’t want Bush, who is hated by the British public, to show his face there.