

Editorial

The Crash of 2006

As of Aug. 10, it had become obvious that the global break in the economic, financial, and political situation, which Lyndon LaRouche had forecast on April 20, 2006 to be coming by not much later than September 2006, was “on.” It can be expected to proceed with mounting force in the immediate period ahead.

The impulse toward this global breakdown crisis is the crucial element that must be understood, in order to comprehend why the synarchist banking establishment is currently ramming through the insane Israeli escalation toward World War III.

In April, LaRouche pointed to the hyperinflationary explosion in commodity prices, as a crucial marker for the coming blowout. The bankers know the global bubble has to burst, LaRouche said, so they are rushing into primary raw materials.

In the wake of LaRouche’s analysis, which was spread far and wide with the specific intent of spurring the remedial action required by the U.S. Congress, in particular, nothing has been done to change direction in any fundamental way. A liquidity crisis among the hedge funds resulted in the downturn of small commodity prices—but this has since reversed. A wave of bankruptcies spread through the hedge-fund sector, creating quiet panic throughout the banking community, and emergency behind-the-scenes measures. Equally destabilizing was the spotlight being put on the unsustainability of the real estate bubble, particularly in the United States.

Reports from Europe on Aug. 10 reflected the fact that the collapse was taking on mounting force.

- In Germany, major companies on the stock market began to be hit by dramatic selloffs, leading to collapses in market value anywhere from 9 to 20%. According to some German financial newspaper reports, these selloffs were led by foreign investors, and therefore suspicion was rampant that the hedge funds that have been moving heavily into the German market in recent years, were dumping their stocks in order to cover losing positions.

- In Great Britain, the Aug. 10 *Financial Times* published an article by Nouriel Roubini, chairman of Roubini Global Economics, and professor of economics

at the Stern School of Business, New York University, entitled “The World Must Prepare for America’s Recession.” Reporting on the fact that the Federal Reserve had failed to raise interest rates for the first time in over a year and a half in order to try to handle the crisis, Roubini puts out the verdict:

“But it is too late. The Fed might have been hoping for a soft landing for the economy, but instead it faces recession. The implications will be felt globally. The rest of the world will not decouple from the U.S. economic train, as some analysts predict. When the U.S. sneezes, the rest of the world still gets the cold.

“The U.S. recession will be triggered by three unstoppable forces: the housing slowdown; high oil prices; and higher interest rates. The U.S. consumer, already burdened with high debt and falling real wages, will be hard hit by these shocks. . . .”

Roubini is writing “banker-speak,” of course. What he calls a “recession,” is actually a global breakdown crisis in both the economic and financial domains. The collapse of monetary instruments, such as the dollar and consumer credit, plus inflation, will be the least of the problems being faced, as the means of survival for billions of people simply disappear.

Which brings us back to LaRouche’s point, both in making the April 20 forecast, and in noting to his associates on Aug. 10, that a breaking point had been reached. The fact is, that the devastating results of the incompetent and murderous economic policies which have dominated the U.S. and world economy for the last 40 years, do not have to be tolerated. Measures are available, within the principles established by Franklin Delano Roosevelt, and spelled out explicitly in the writings of Lyndon LaRouche, to re-establish an economic policy based on the general welfare. When put into effect, under emergency conditions, this policy can ensure that the banks functions, and livelihoods are sustained, while the productive capacities of the nation are preserved.

Will it be done? That depends upon the courage of those who understand that LaRouche is right, to come out and fight for that solution under his leadership. Time is very short indeed.