Editorial

A Crisis on Schedule

The first weeks of July have seen the arrival of precisely the kind of crisis, both in the automotive industry and the hedge-fund sector, which leading economist Lyndon LaRouche had been forecasting over the past months. Others may have thought that disaster could be delayed, but LaRouche was clear from the early Spring forward, that automakers General Motors and Ford were headed for bankruptcy, and from the late Spring, that the repercussions of these, and other, bankruptcies on the financial markets, particularly the highly speculative hedge-fund business, would bring the world financial system to the breaking point.

Interestingly, there are increasing indications in Washington, D.C. that leading policymakers realize LaRouche was right. So far, they have still not had the guts to acknowledge the fact publicly, or to act toward LaRouche's solution.

For the moment, Fed Chairman Greenspan and his central banking colleagues have again thrown a "wall of money" at the problem, and crossed their fingers that they will be able to keep the situation politically under control. But a new period of hyperinstability has been reached, which is inexorably calling the question on the need for a viable new system along the principle of Bretton Woods—as only Lyndon LaRouche has proposed.

Two reports issued by financial institutions recently put a spotlight on a part of the problem. On July 17, New York-based Tremont Capital Management reported that in the June 15-17 period, hedge funds globally would be *losing* capital, "for the first time in recent memory." The reason, Tremont reported, is that investors will be pulling out to the funds' money-losing strategies. There was already a global net outflow of capital from the hedge funds in the second quarter, Tremont wrote. Less specific was a release by the market research firm Fitch Ratings Service, which said that hedge funds are becoming increasingly concentrated in the "high yield" (junk bond) markets, and thus, instead of diffusing the risk of disaster in response to market shocks, they are likely to contribute to a domino effect that could destabilize the entire financial system.

Even a popular magazine like *U.S. News & World Report,* in a pre-release of its July 25 issue, is saying that the credit derivatives bubble could blow out, taking the banking system with it. Credit derivatives "do nothing to help extinguish risk," but spread it around to large investors like banks, insurance companies, pension funds, and hedge funds, the article states. Derivatives "could actually magnify the market effect of a corporate default," and a hedge-fund collapse could trigger "a dangerous ripple effect through the whole economy."

Of course, none of these warnings are "new" to those who have followed *EIR,* or hobnob with financial insiders. What is new is that the financial powers-that-be now are beginning to publicly admit that they might not be able to control the repercussions for the system as a whole, once one of any number of bubbles pops.

The top Synarchist bankers have their own historically tested ways of dealing with such crises, ways which are frightfully exemplified in the fascist regimes of the 1930s. They rely on being able to destroy any opposition to their rapacious looting, through measures up to and including dictatorial-emergency rule. The destruction of sovereign institutions dedicated to the defense of the common good is generally the first step toward such a non-solution to the problem.

Fortunately, there is also a positive solution to such a crisis, one writ large in the methods by which President Franklin Delano Roosevelt dealt with the depression crisis of the 1930s, and put forward by Lyndon LaRouche based on the same American System principles today. Decades of effort by the LaRouche movement have put the principles for avoiding global fascism on the desks of all the potential "players," along with a precise diagnosis of the etiology of the developing crisis. The dithering of world leaders and politicians in implementing these solutions has already cost millions of lives, and could potentially cost much more.

The next phase of the crisis is coming on schedule, without a doubt. The question is whether the solution will be implemented on schedule—before a new decades-long disaster for all mankind.