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Economic tsunami begins in March

By The European Laboratory of Political Anticipation

80% chance of end of the world beginning on 20th March!

This report, by an amusingly named european think tank, nicely combines eschatology with statistics. It should probably be posted on the events calendar not the news. They are very clear about when it's all going to begin/ end.

As someone pointed out on the discussion list from whence this posting is ripped, however, all the crises the report highlights are already ongoing and it's hard to see why we need to wait till the opening of the Iranian oil bourse for the End to kick off.

Of course, if one was willing to buy the report they would no doubt tell us convincingly why it has to be 20th March. Is this report itself the most developed/ last symptom of a fictitious capital economy - ie "give us 50 quid and we'll tell you when the end of the world is going to start"? The transaction would contribute directly to the devaluation of the currency exchanged, clearly a desperate scam...

But again, though the sales spin and hyperbole might cause you to raise an eyebrow, this account seems to make some sense. Comments gratefully received!

Ben

March 20 to 26, 2006: Iran-USA, beginning of a major world crisis, or The End of the Western World we have known since 1945

'Economic tsunami begins in March'

From the European Laboratory of Political Anticipation

<http://newropeans-magazine.org/index.php>

Friday, 17 February 2006

The Laboratoire européen d'Anticipation Politique Europe 2020, LEAP/E2020, now estimates to over 80% the probability that the week of March 20-26, 2006 will be the beginning of the most significant political crisis the world has known since the Fall of the Iron Curtain in 1989, together with an economic and financial crisis of a scope comparable with that of 1929. This last week of March 2006 will be the turning-point of a number of critical developments, resulting in an acceleration of all the factors leading to a major crisis, disregard any American or Israeli military intervention against Iran. In case such an intervention is conducted, the probability of a major crisis to start rises up to 100%, according to LEAP/E2020.

An Alarm based on 2 verifiable events

*The announcement of this crisis results from the analysis of decisions taken by the two key-actors of the main on-going international crisis, i.e. the United States and Iran:

- on the one hand there is the Iranian decision of opening the first oil bourse priced in Euros on March 20th, 2006 in Teheran, available to all oil producers of the region ;

- on the other hand, there is the decision of the American Federal Reserve to stop publishing M3 figures (the most reliable indicator on the amount of dollars circulating in the world) from March 23, 2006 onward_[1]_.

..

These two decisions constitute altogether the indicators, the causes and the consequences of the historical transition in progress between the order created after World War II and the new international equilibrium in gestation since the collapse of the USSR. Their magnitude as much as their simultaneity will catalyse all the tensions, weaknesses and imbalances accumulated since more than a decade throughout the international system.

A world crisis declined in 7 sector-based crises /LEAP/E2020's/ researchers and analysts thus identified 7 convergent crises that the American and Iranian decisions coming into effect during the last week of March 2006, will catalyse and turn into a total crisis, affecting the whole planet in the political, economic and financial fields, as well as in the military field most probably too:

1. Crisis of confidence in the Dollar
2. Crisis of US financial imbalances
3. Oil crisis
4. Crisis of the American leadership
5. Crisis of the Arabo-Muslim world
6. Global governance crisis
7. European governance crisis

/The entire process of anticipation of this crisis is described in detail in coming issues of *LEAP/E2020's* confidential letter -- the GlobalEurope Anticipation Bulletin, and in particular in the 2nd issue to be released on February 16, 2006. These coming issues will present the detailed analysis of each of the 7 crises, together with a large set of recommendations intended for various categories of players (governments and companies, namely), as well as with a number of operational and strategic advices for the European Union.

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*Decoding of the event "Creation of the Iranian Oil Bourse priced in Euros"

*/However, and in order not to limit this information to decision makers solely, *LEAP/E2020* has decided to circulate widely this official statement together with the following series of arguments resulting from work conducted.

/Iran's opening of an Oil Bourse priced in Euros at the end of March 2006 will be the end of the monopoly of the Dollar on the global oil

market. The immediate result is likely to upset the international currency market as producing countries will be able to charge their production in Euros also. In parallel, European countries in particular will be able to buy oil directly in their own currency without going through the Dollar. Concretely speaking, in both cases this means that a lesser number of economic actors will need a lesser number of Dollars [2] .

This double development will thus head to the same direction, i.e. a very significant reduction of the importance of the Dollar as the international reserve currency, and therefore a significant and sustainable weakening of the American currency, in particular compared to the Euro. The most conservative evaluations give EUR1 to \$1,30 US Dollar by the end of 2006. But if the crisis reaches the scope anticipated by LEAP/E2020, estimates of EUR1 for \$1,70 in 2007 are no longer unrealistic.

*Decoding of the event "End of publication of the M3 macro-economic indicator"

*The end of the publication by the American Federal Reserve of the M3 monetary aggregate (and that of other components) [3], a decision vehemently criticized by the community of economists and financial analysts, will have as a consequence to lose transparency on the evolution of the amount of Dollars in circulation worldwide. For some months already, M3 has significantly increased (indicating that « money printing » has already speeded up in Washington), knowing that the new President of the US Federal Reserve, Matt Bernanke, is a self-acknowledged fan of « money printing » [4] .

Considering that a strong fall of the Dollar would probably result in a massive sale of the US Treasury Bonds held in Asia, in Europe and in the oil-producing countries, LEAP/E2020 estimates that the American decision to stop publishing M3 aims at hiding as long as possible two US decisions, partly imposed by the political and economic choices made these last years [5] :

- . the 'monetarisation' of the US debt
- . the launch of a monetary policy to support US economic activity.
- ... two policies to be implemented until at least the October 2006 « mid-term » elections, in order to prevent the Republican Party from being sent in reeling.

This M3-related decision also illustrates the incapacity of the US and international monetary and financial authorities put in a situation where they will in the end prefer to remove the indicator rather than try to act on the reality.

*Decoding of the aggravating factor "The military intervention against Iran"

*Iran holds some significant geo-strategic assets in the current crisis, such as its ability to intervene easily and with a major impact on the oil provisioning of Asia and Europe (by blocking the Strait of

Ormuz), on the conflicts in progress in Iraq and Afghanistan, not to mention the possible recourse to international terrorism. But besides these aspects, the growing distrust towards Washington creates a particularly problematic situation. Far from calming both Asian and European fears concerning the accession of Iran to the statute of nuclear power, a military intervention against Iran would result in an quasi-immediate dissociation of the European public opinions_[6]

which, in a context where Washington has lost its credibility in handling properly this type of case since the invasion of Iraq, will prevent the European governments from making any thing else than follow their public opinions. In parallel, the rising cost of oil which would follow such an intervention will lead Asian countries, China first and foremost, to oppose this option, thus forcing the United States (or Israel) to intervene on their own, without UN guarantee, therefore adding a severe military and diplomatic crisis to the economic and financial crisis.

*Relevant factors of the American economic crisis

/LEAP/E2020/* anticipate that these two non-official decisions will involve the United States and the world in a monetary, financial, and soon economic crisis without precedent on a planetary scale. The 'monetarisation' of the US debt is indeed a very technical term describing a catastrophically simple reality: the United States undertake not to refund their debt, or more exactly to refund it in "monkey currency". LEAP/E2020 also anticipate that the process will accelerate at the end of March, in coincidence with the launching of the Iranian Oil Bourse, which can only precipitate the sales of US Treasury Bonds by their non-American holders.

In this perspective, it is useful to contemplate the following information_[7] :

the share of the debt of the US government owned by US banks fell down to 1,7% in 2004, as opposed to 18% in 1982. In parallel, the share of this same debt owned by foreign operators went from 17% in 1982 up to 49% in 2004.

? Question: How comes that US banks got rid of almost all their share of the US national debt over the last years?

Image

Moreover, in order to try to avoid the explosion of the "real-estate bubble" on which rests the US household consumption, and at a time when the US saving rate has become negative for the first time since 1932 and 1933 (in the middle of the "Great Depression"), the Bush administration, in partnership with the new owner of the US Federal Reserve and a follower of this monetary approach, will flood the US market of liquidities.

*Some anticipated effects of this systemic rupture

*According to **/LEAP/E2020/**, the non-accidental conjunction of the Iranian and American decisions, is a decisive stage in the release of a systemic crisis marking the end of the international order set up after World War II, and will be characterised between the end of March and the end of the year 2006 by a plunge in the dollar (possibly down to 1 Euro = 1,70 US Dollars in 2007) putting an immense upward pressure on the Euro, a significant rise of the oil price (over 100\$ per barrel), an aggravation of the American and British military situations in the Middle East, a US budgetary, financial and economic crisis comparable in scope with the 1929 crisis, very serious economic and financial consequences for Asia in particular (namely China) but also for the United Kingdom_[8]_ ,
a sudden stop in the economic process of globalisation, a collapse of the transatlantic axis leading to a general increase of all the domestic and external political dangers all over the world.

For individual dollar-holders, as for trans-national corporations or political and administrative decision makers, the consequences of this last week of March 2006 will be crucial. These consequences require some difficult decisions to be made as soon as possible (crisis anticipation is always a complex process since it relies on a bet) because once the crisis begins, the stampede starts and all those who chose to wait lose. For private individuals, the choice is clear: the US Dollar no longer is a "refuge" currency. The rising-cost of gold over the last year shows that many people have already anticipated this trend of the US currency.

*Anticipating... or being swept away by the winds of history

*For companies and governments, it is crucial to integrate now action plans in today's decision-making processes, which can contribute to soften significantly the "monetary, financial and economic tsunami" which will break on the planet at the end of next month. To use a simple image -- by the way, one used in the political anticipation scenario « USA 2010 »_[9]_

-, the impact of the events of the last week of March 2006 on the "Western World" we have known since 1945 will be comparable to the impact of the Fall of the Iron Curtain in 1989 on the "Soviet Block".

If this Alarm is so precise, it is that **/LEAP/E2020's/** analyses concluded that all possible scenarios now lead to one single result: we collectively approach a "historical node" which is henceforth inevitable whatever the action of international or national actors. At this stage, only a direct and immediate action on the part of the US administration aimed at preventing a military confrontation with Iran on the one hand, and at giving up the idea to monetarise the US foreign debt on the other hand, could change the course of events. For LEAP/E2020 it is obvious that not only such actions will not be initiated by the current leaders in Washington, but that on the contrary they have already chosen "to force the destiny" by shirking their economic and financial problems

at the expense of the rest of the world. European governments in particular should draw very quickly all the conclusions from this fact.

For information, **/LEAP/E2020's/** original method of political anticipation has allowed several of its experts to anticipate (and publish) in particular : in 1988, the approaching end of the Iron Curtain; in 1997, the progressive collapse in capacity of action and democratic legitimacy of the European institutional system; in 2002, the US being stuck in Iraq's quagmire and above all the sustainable collapse of US international credibility; in 2003, the failure of the referenda on the European Constitution. Its methodology of anticipation of "systemic ruptures" now being well established, it is our duty as researchers and citizens to share it with the citizens and the European decision makers; especially because for individual or collective, private or public players, it is still time to undertake measures in order to reduce significantly the impact of this crisis on their positions whether these are economic, political or financial.

/LEAP/E2020

*/*Franck Biancheri*/*

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Directeur des Etudes/

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[1]

These decisions were made a few months ago already:

- . the information on the creation by the Iranian government of an oil bourse priced in Euros (Mehrnews.com) first appeared in Summer 2004 in the specialised press.
- . the Federal Reserve announced on November 10, 2005 that it would cease publishing the information concerning M3 from March 23, 2006 onward : Federalreserve.

[2]

By examining Table 13B of the December 2005 Securities Statistics of the Bank for International Settlements entitled *_International Bonds and Notes (in billions of US dollars), by currency_*), one can notice that at the end of 2004 (China not-included), 37.0% of the international financial assets were labelled in USD vs 46,8% in Euros ; while in 2000, the proportion was contrary with 49,6% labelled in USD for 30,1% only in Euros. It indicates that the March 2006 decisions will most probably accelerate the trend of exit-strategy from the dollar.

[3]

/Monetary aggregates/ (M1, M2, M3, M4) are statistical economic indicators. M0 is the value of all currency - here the dollar - that exists in actual bank notes and coins. M1 is M0 + checking accounts of this currency. M2 is M1 + money market accounts and Certificates of Deposits (CD) under \$100,000. M3 is M2 + all larger holdings in the

dollar (Eurodollar reserves, larger instruments and most non-European nations' reserve holdings) of \$100,000 and more. The key point here is that when the Fed stops reporting M3, the entire world will lose transparency on the value of reserve holdings in dollars by other nations and major financial institutions.

[4]

See his eloquent speech on these aspects before the National Economists Club, Washington DC,

November 21, 2002

[5] :

It should be noticed that the upward trend of the Dollar in 2005 was mostly the result of an interest rate differential which was favourable for the US Dollar, and of the "tax break on foreign earnings" Law (only valid for 1 year) which brought back to the US over \$200 billion in the course of 2005. (source: CNNmoney.com)

[6]

As regards Europe, LEAP/E2020 wishes to underline that European governments are no longer in line with their opinions concerning the major topics, and in particular concerning the European collective interest. The January 2006 GlobalEurometre clearly highlighted the situation with a Tide-Legitimacy Indicator of 8% (showing that 92% of the panel consider that EU leaders no longer represent their collective interests) and a Tide-Action Indicator of 24% (showing that less than a quarter of the panel thinks EU leaders are capable of translating their own decisions into concrete actions). According to LEAP/E2020, public declarations of support to Washington coming from Paris, Berlin or London, should not hide the fact that the Europeans will quickly dissociate from the US in case of military attack (the GlobalEurometre is a monthly European opinion indicator publishing in the GlobalEurope Anticipation Bulletin 3 figures out of which 2 are public).

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[7]

(source : Bond Market Association, _ Holders of Treasury Securities: Estimated Ownership of U.S. Public Debt Securities _; Dailykos.com

[8]

The United Kingdom indeed owns close to 3,000 billion \$ of credits, that is almost three times what countries such as France or Japan hold. (source Bank of International Settlements, Table 9A, Consolidated Claims of Reporting Banks on Individual Countries_)

[9] Cf.

_ GlobalEurope Anticipation Bulletin N°1 (January 2006) _

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