

Domestic Credit by John Hoefle

Wall Street discovers the 'recession'

They have not discovered the error of their ways; like fleas on a dead dog, they just keep sucking harder.

The brilliant economists and financiers of Wall Street have suddenly discovered that the United States economy has entered a "recession." The pages of the Establishment press were suddenly filled with articles detailing the misery afflicting the nation's big investment houses, and how the current economic slowdown was the worst since 1982.

One indicator of the depth of the newly discovered crisis, is the extent to which the perceived economic history of the decade is being rewritten to help soften the blow of the new developments.

"[W]ith the release of each week's data," the *New York Times* said Nov. 20, "the message is growing clear: The United States economy is suffering from a severe downturn, perhaps the worst of the last seven years." The current downturn, the *Times* said, is even more severe than "two earlier downturns, in 1984 and 1986."

"What downturns in 1984 and 1986?" one who has faithfully followed the Establishment line might ask. What about the 85 straight months of Reagan-Bush recovery? The historically revisionist *Times* ignores those indelicate questions, dismissing the 1984 "slowdown" by saying that, after all, it "was confined mostly to the manufacturing sector." As for the 1986 downturn, well, it wasn't even noticed at the time; in fact, it "was not discovered until July 1988, when the Commerce Department updated its earlier data," the *Times* claimed.

Such idiocies aside, these statements signal a major shift in the

public posture of Wall Street, reflecting a growing panic among the financial elite that their patchwork system is rapidly approaching the point where their perception management scenarios will cease to function. Reality is asserting itself, with a vengeance.

The major Wall Street investment houses, after years of riding the speculative debt bubble, are running into serious financial trouble. Drexel Burnham Lambert, the high-flying leveraged buyout and junk bond king, is laying off 300 employees, including some of its junk bond and corporate finance staff. Rumors abound on Wall Street that Drexel is considering selling its institutional equities business to Nomura Securities of Japan. Drexel denies the rumors, but the fact that such rumors are taken seriously, whether true or not, shows the depth of the crisis. Years ago, such rumors would have been instantly dismissed.

Brokers at Shearson Lehman Hutton, the American Express subsidiary, were recently informed by management that their sales commissions were going to be cut by several percent, the first such cuts in 15 years. The cuts are necessary, the brokers were told, to protect Shearson's ratings from Moody's Investors Services, which has been threatening to lower them. Shearson is also laying off 800 employees. One Shearson broker was reported by the *Wall Street Journal* to have said, "We ought to start a union." It's a little late for that, however: Thanks in large part to the whiz kids on Wall Street, the American labor move-

ment has been nearly destroyed.

One should not assume, however, that the financial *wunderkinder* of Wall Street have seen the error of their ways. One glimpse at their averred "solutions" to the current crisis makes clear that they remain totally committed to looting the economy and the general public. Like fleas on a dead dog, they just keep sucking harder.

The *New York Times*, that august purveyor of fascist economic policies, asserts that the solution to averting the recession lies in pumping up the debt bubble even further through massive increases in consumer debt. That such a policy will only lead to hyperinflation and an even more spectacular collapse in the months ahead, is once again ignored.

The *Times* complains that, according to Federal Reserve economist Thomas Durkin, 45% of the nation's \$750 billion in outstanding consumer credit is in the hands of the wealthiest 20% of the population, while only 19% of the debt is in the hands of the poorest 40%. Goldman Sachs economist Edward McKelvey then points out that "That is only half the repayment level that lenders say households could handle without getting in over their heads." Clearly, America's poor are hurting the economy by not borrowing more money, the *Times* implies; the fact that poor people are already broke seems to escape the "experts" entirely.

If that weren't enough, the *Times* also complains that only 5.5% of American homeowners have taken out home equity loans on their houses. In other words, the *Times* wants the American people to put their homes in hock—and risk losing them when the blowout occurs—just to buy the Wall Street money-changers a little more time.

"Immoral" is too kind a word for such inhumanity and insanity.