A similar shift is taking place all over Europe. In Britain, stock prices of the travel and shopping website Lastminute.com fell 25% below its mid-March issue price, after only a week. Likewise, in the Netherlands, the Internet service provider World Online fell 30% below its mid-March issue price, after only a week. At the same time, many European Internet sector firms which went public last year are suffering huge losses. For example, the stock prices of the Internet provider Freeserve collapsed by more than 50% since the beginning of March.

International Commentaries

'New Economy' bubble will not last long

London *Guardian,* lead editorial by Polly Toynbee, "Frenzy Over Dot.Com Flotations Eerily Echo the South Sea Bubble of 1720," March 15:

Toynbee points to the "reassuring myth that previous bubbles were caused by a stupidity and ignorance we have outgrown." However, during the South Sea Bubble of 1720 the population already "understood very well that the miraculous boom in the brand new stock market was made of air and the devil would take the hindmost. As now and as in the early 1990s Japan bubble, those early investors just hoped they'd get out in time or that it could last forever if no one panicked." Today, "everyone knows that 80% of these Internet companies will fail, and many others will never reach their mad market value." In past history, we had "the brilliant John Law in France" who "explained that gold itself was only a meaningless talisman, so why not print money or shares in a new doctrine of infinitely expanding credit?" Today, you are being told that "nothing has intrinsic value, neither pay rates nor commodities: everything is weightless and subjective. A fair part of the economy resides in a realm of fantasy, an artificial construct that works only for as long as people share it."

Toynbee concludes: "Boom followed by bust in 1929 ushered in a new mood that allowed FDR and Keynes to show how humans can and must mitigate market forces. This small bubble, touching just a fraction of the economy, is a grotesque spectacle to help puncture the naked market rhetoric of the right."

***Washington Post,* "Greenspan's Guesswork," by Robert J. Samuelson, March 22:**

Federal Reserve Board Chairman Alan Greenspan better watch his step, warns Samuelson. Greenspan's efforts over the past ten months to "talk down" the Wall Street speculative bubble, by raising interest rates five times, is unlikely to work, and could trigger other unforeseen disasters. "Alan Greenspan faces long odds in trying to nudge the stock market to where he'd like it to go." Samuelson cites a recent book by Yale economist Robert J. Shiller, *Irrational Exuberance,* as evidence that the market is not only a speculative bubble, but is driven by herd behavior that "is almost impossible to manipulate or even influence."

"So Greenspan faces two dangers," Samuelson says. "The first is that what the Fed is doing may not work. If there is a speculative frenzy, it might continue unabated with unpredictable consequences. The second is that the Fed might succeed too well—and push rates too high. Then the economy and market might spiral down just as they have spiralled up. Stocks drop, paper wealth vanishes, consumer spending slumps. Doesn't sound good. There's not much room for error. Greenspan is running a very delicate experiment."

London *Sunday Times,* March 19:

"Fears are growing that the greatest stock-market bubble in modern times may be about to burst," writes Garth Alexander from New York. "Technology stocks, which have rocketed to extraordinary levels, plunged last week as regulatory officials sounded warnings that investors were being caught in a speculative frenzy that could only end in tears."

"They said many investors were buying shares in companies about which they knew nothing—and were bound to lose money," Alexander continues. "They also worried that investors were placing more of their assets than ever before in the overheated stock market and an increasing number were speculating with borrowed funds."

Alexander says that analysts "expect global stock markets to remain highly volatile, . . . particularly in Europe where Internet valuations have become far more extreme than in America."

Alexander then reviews the "panic selling of technology stocks" the week before, and the "frantic buying of 'old economy' companies," and goes through examples, concluding with a J.P. Morgan analyst saying that the price-earnings multiples on the NASDAQ are "absolutely, positively unsustainable."

Swiss daily *Neue Zürcher Zeitung,* editorial, March 18:

There is no "New Economy," states the paper. The empirical basis for beliefs that we are witnessing the "emergence of a completely new era" going far beyond the technological revolutions of the 19th century, in which computer-related productivity gains will yield no more inflation and economic cycles, just never-ending economic growth, is "rather thin." There are only a few aspects of the so-called "New Economy" which can be described as really "new." There is no basis for the belief that the "New Economy" will "bring us the abolition of economic gravity."