Federal Reserve Chairman Alan Greenspan praised the "remarkable expansion" in the U.S. economy. Abby Joseph Cohen, from Goldman Sachs Investment Strategies division, said, "Our nation is blessed," and "our economy is blessed" by the new economy. (Only one week earlier, Cohen, the guru of the "ever-rising" markets myth, was credited with causing a big drop in the stock market on March 28, when she announced before trading opened, that she was reducing the stocks percentage in her "model portfolio" from 70% down to 65%.) But on April 5, all sang the theme of the glory days for info-tech and dot-coms, including Microsoft chairman Bill Gates, Treasury Secretary Lawrence Summers, and many others. Summers put in a special plug for Al Gore, praising his concern for good management of "what the Vice President likes to call this information technology supply shop."

President Clinton personally moderated the New Economy confab, and repeatedly expressed concern, not for any shakiness of the dot-com boom, but only for that fact that so little "economic parity" exists for the have-nots to benefit from the "New Economy." He spoke of ways to close the "digital divide."

Commenting on April 5, on the spectacle of hysterical denial at the White House, Lyndon LaRouche said, "In any crisis expressing the collapse of a long and deeply held delusion, there are always people in the relatively highest positions, who will cling desperately to a sinking ship, out of their fear of drowning. Such is the only fair characterization of the White House's reaction to the Tuesday market panic, both yesterday afternoon, and, again, today.

"Imagine a contemporary President Herbert Hoover promising lots of pot in every chicken! That is a perfectly fair characterization of the White House posturing over the supposed wonders of what is now obviously the doomed relics of the so-called 'New Economy.' "

LaRouche pointed out that among the leading considerations behind the flight-forward reactions of the White House to the financial market developments of the first week in April, is that "these developments doom Gore's prospects, prospects on which the White House has credulously come to depend psychologically; secondly, there is indeed a longer-term softness toward the New Age ideology in those White House and related circles, which translates into a potentially fatal softness toward Gore."

As an antidote to insanity, wishfulness, desperation, and anything else involved in blind faith in the "New Economy," *EIR,* on April 3 in Berlin, held a seminar to release its new German-language Special Report on "The Myth of the Information Society." In preparation for release in English, this report dissects the trendy ideology, that the world economy is being transformed into a "globalized information economy"—and that this "New Economy" is just wonderful for everyone willing to go along. (Details on the Berlin seminar and the report are on p. 10.)

International Commentaries

Wake up! 'New Economy' is hitting the skids

"Does the New Economy Have New Rules of the Game?" *Neue Zürcher Zeitung,* Switzerland, April 1-2:

The paper warns of a crash along the lines of October 1987. Since the surge in the prices of "telecommunications, media, and technology," or "TMT," stocks at the end of 1998, "TMT stocks account now for 39% of all global stock market capitalization; in the same month a year ago it was 25%. . . . The reason for the speculative bubble is above all the excess liquidity in the market and a changed, risk-taking stockholding public."

Compare the lead-in to the crash of October 1987 to the present situation:

- The U.S. Federal Reserve raises interest rates to cool the economy down. In 1987, leveraged buy-out (LBO) stocks continued to rise; in 2000, Internet stocks continue to rise.
- Stocks are bought on credit. In 1987, via companies; in 2000, via private day-traders and buyers.
- Company profits are irrelevant to stock price. In 1987, the new metric was the private market value; in 2000, it is the ratio of a stock price to gross revenue.
- Interest rates play no role in the stock market. In 1987, strong profits from LBOs compensated for higher interest rates; in 2000, the cost of the "New Economy" is independent of interest rates.
- Risk diversification into bonds does not pay. In 1987, there was a phenomenal stock rise driven by LBOs; in 2000, a phenomenal rise in Internet stocks.
- A new form of stock trading is supposed to protect the shareholder from losses. In 1987, derivatives or "portfolio insurance" were widely used; in 2000, day trading on the Internet.

The paper continues: "The signs of overvalued stocks are clearly visible. The peak of the Internet stock price rise displays definite signs which in the past always signalled a coming stock crash. If we consider all these factors, then the warning light must be on 'red,' especially as it is not possible to say when euphoria suddenly will shift into a sharp crash."

"Eurobond Market" column, *Neue Zürcher Zeitung,* Switzerland, April 3:

According to Stephen Roach of Morgan Stanley Witter, "the medicine prescribed for the crises in Asia and Russia—namely, massive increase of liquidity in the G-7 countries—will now create the basis for the next crisis, which will manifest itself in . . . a shake-up of the financial markets." Roach

U.S. newspapers finally join the chorus of those who admit that maybe—just maybe!—there might be something wrong with the "booming" economy.

expressed doubts about the "new economy," whose alleged productivity increases, if examined closely, turn out to be mostly reductions of expenses which "in the long run lead to an undermining of enterprises and entire economies, and because of that, cannot be continued on a lasting basis."

Wilhelm Hänkel, former chief economist at the Kreditanstalt für Wiederaufbau (Bank for Reconstruction), writing in the weekly *Junge Freiheit,* Germany, March 17:

"We need a re-regulation on international financial markets." Under "globalization," certain kinds of business activities "ought to be prohibited, such as buying stocks on credit," and also "hostile takeovers," he said, adding, "Every single mega-merger is a relapse into the Stone Age." In the 1940s, economist Josef Schumpeter had already emphasized, that, contrary to what Karl Marx wrote, the real road to socialism leads through a process of monopolization. And this is taking place right now: "The economy is merging itself into socialism." Mergers are taking place in spite of the well-established fact, that most of them end in failure.

In the case of the planned merger of Deutsche Bank and Dresdner Bank (which has since collapsed), Hänkel said, it will hit the small customers hard, as well as the traditional clients from Germany's crucial medium-sized industry, the *Mittelstand.* The two merging banks are actually transforming themselves into investment funds. "Thereby, their risk exposure and also their vulnerability to a worldwide stock market crash is vastly increasing."

Editorial, "Wake Up!" *Bildzeitung,* Germany, April 1:

"Even the new economy has to respect the laws of this world." The editorial accompanied a front-page article on the wild gyrations on the markets, portraying the trading on March 31 as moving between cold sweat and greed. "There will be more such bloodbaths."

***Evening Standard,* Great Britain, March 31:**

The "entire dotcom bubble that has been minting Silicon Valley millionaires at a rate of more than 60 a day, is dangerously close to bursting. According to American experts, Internet tycoons who are fretting about the strain of having it all, had better cancel their Sudden Wealth Syndrome counselling and start worrying about where their next paycheck will come from. "After five years of speculative growth, the Internet boom that promised to revolutionize the world economy, seems to be stalling. Share prices of dotcoms are plummeting, investors—who a matter of months ago threw money at start-up ideas—are thin on the ground, and the first batch of one-time Internet millionaires is facing failure the traditional way—bankruptcy."