

## The 'Baby Boomers' sink the life-boat

by Lyndon H. LaRouche, Jr.

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According to a featured report, "Is The Party Over?", which appeared in Rupert Murdoch's London *Sunday Times* of April 6, it is America's "Baby Boomers" who will, probably, set off the oncoming, biggest financial crash in world history. For once, the London *Times* is, at worst, partly right. The facts presented in that report are appropriately selected; the conclusions drawn, are fair descriptions of the situation in the international markets themselves.

Indeed, at the present moment, the world is threatened with a danger far more serious than the currently onrushing series of seismic calamities in the international financial system. Unless certain feasible, but radical, and apparently unlikely decisions are made soon, at the highest level of the U.S. government, the coming several years will see the entire planet plunging into a "New Dark Age," worse than that Europe suffered during the middle of the Fourteenth Century. Should those radical solutions not be introduced, from the highest level, very soon, future historians, if they ever exist, would have just grounds to condemn today's "Baby Boomer" generation, as responsible for the temporary vanishing of civilization from this planet, during the coming fifty years, or longer.

The "Baby Boomers" were not the original cause of the problem, but the majority among them are responsible for the fact, that since the introduction of the relevant, pathological "cultural-paradigm shift," approximately thirty years ago, they adopted, and continue to uphold that pathological cultural paradigm which has made the present catastrophe inevitable. The organization which, in 1974, founded the *Executive*

*Intelligence Review*, was created by that small minority within the "1968 generation" which attempted to prevent the disaster which the Bertrand Russells, Herbert Marcuses, Theodor Adornos, Martin Heideggers, Hannah Arendts, Margaret Meads, and kindred influential, moral degenerates, recruited the majority of the "1968" campus youth-counterculture into becoming. That is the urgent practical issue, which, up to this moment, virtually no government, nor leading opposition to such governments, has been willing to face.

Now, the interacting physical-economic, monetary, and financial systems of this planet, have reached a point of hyperbolic super-instability in their mutual relations, at which the early extinction of the present international monetary and financial system, is inevitable, no matter what the "Baby Boomer" generation does, or does not do. No one could save that system; any attempt to do so, is, at best, sending the proverbial "good money" after the "bad." Today's ill-fated, sinking *Titanic*, the present world financial system, is doomed. The only sane question remaining, is, can the passengers—the existing nation-states and their citizens—be saved?

In summary of this point presented thus far: The "Baby Boomer" generation did not originate the conditions which led into the present, global financial disaster. The policies which caused the present crisis, were introduced during the middle of the 1960s, at a time that those "Baby Boomers," still secondary-school or university students, inherited those radical, anti-industrial, ideas which have sent America's and Europe's civilization tumbling into the pit, the ideas which have come to be considered "politically correct," or "mainstream," over the course of the recent thirty years.

Nonetheless, that generation now occupies the over-

whelming majority of the topmost positions of authority, in government, in business and finance, and in educational and cultural institutions. For these and related reasons, it would be impossible to prevent the early global collapse of civilization, unless we condemned, and corrected the "Baby Boomer" problem as it exists today. We could prevent the collapse of civilization, on the condition, that we admit, that this "Baby Boomer" problem, referenced in the *Times's* report, must be addressed. Otherwise, civilization will vanish from this planet during the immediate period ahead. If that occurs, there will probably be a lapse of two generations, or longer, beyond the coming turn of the century, before some civilized form of society appears on this planet, again.

To the degree that today's shaping of policies of governments continues to defer to any among those radical assumptions which characterize the "New Left" youth-counterculture of the middle through late 1960s, there is no possibility of the continued existence of a civilized form of life in any part of this planet much beyond the end of the present century. Under those conditions, many parts of the planet, including the U.S.A., will already be in a process of disintegration before the end of this century. Unless every aspect of the present international monetary, financial, and trade, agreements is ripped out soon, and unless every tendency toward Brussels, UNO- and IMF-administered "world government" is ripped out and destroyed before the end of the century, there is no possibility of continuing present relics of civilized life on this planet beyond the year A.D. 1999.

That is the actual import of the facts to which the London *Times* report refers in its references to the role of the "Baby Boomer" generation's ideology-driven, irrational behavior.

The present writer is not holding up his own generation as an example for its unfortunate children, the "Baby Boomers," to follow blindly. During 1946-1949, this writer watched, first hand, with great sadness, the moral degeneration of most of his friends, and others, among the entire generation of World War II veterans, and their spouses. This degeneration of most of that generation, was prompted by the demoralization accompanying the replacement of the national hero, President Franklin Roosevelt, by the unfortunate, small-minded President Harry S Truman. The potential for that reaction to the unfortunate reign of Harry Truman, was rooted in the disgusting connotations of American Yahooism in the widespread use of "popular" and "practical" as catch-phrases of common practice during the 1920s and 1930s. It is the moral and intellectual shallowness of the majority of the present writer's generation, and his parents' generation, which provided the starting-point for the existentialist degeneration pervading the economically, relatively privileged households from which the organic leadership of the "1968" campus radicals was drawn. Like the burlesque "Emperor Caligula" George Bush before them, the "Baby Boomers" inherited their moral and cultural disorientation fairly.

However, whether one acquired the loathesome disease

honestly, or not, is not the burning practical issue of the present moment. The issue is to cure the disease. The first step to curing the disease, is to recognize it as the sickness it represents.

Consider the following series of reports on the current phase of the escalating world monetary, financial, and economic catastrophe in that light. For once, as indicated here, the London *Times* has performed a useful service.

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## Documentation

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*The following are excerpts from the article by Matthew Lynn and Garth Alexander, "Is the Party Over?" published in the Sunday Times of London, April 6, 1997.*

... During the two days the London market was closed for Easter, American share prices tumbled. Alan Greenspan, the Federal Reserve chairman, who has already done his best to keep the lid on what he sees as a dangerous speculative bubble, had raised interest rates by a quarter point on March 25.

In the wake of that move, even though it had been widely predicted, American shares started to be marked sharply down. As soon as they had the chance, Far East and European markets responded with their own corrections. London, despite the uncertainty surrounding the election, came through relatively unscathed; the German market fell 3.7% in a day, and the French market 2.8%.

But it was enough for some market strategists to start forecasting the end of the bull market. After a run stretching back to the start of the Gulf war in early 1991, many now fear the seemingly endless rise in share values could be on its last legs. "The party is over," says Mark Howdle, head of European equity strategy at UBS, the investment bank. . . .

The logic, according to strategists such as Howdle, is straightforward. Wall Street is sharply overvalued and is due for a big correction. That will feed into Europe. . . .

Others disagree. Plenty of City people believe shares can keep climbing, and nothing need disturb prices for another year or two at least. Yet even the optimists concede that after such a long bull run, the possibility of a crash cannot be ignored. And most are watching Wall Street nervously for signs that the collapse is about to start.

For the past seven months a generation of "baby-boomer" investors has defied the warnings of market pessimists and poured \$100 billion into Wall Street. Their confidence in America's buoyant companies and strong future earnings helped propel the Dow Jones index from 5,600 in August to a record 7,085 on March 11 (a 26.5% rise).

But last week their faith was severely tested when the Dow dived 3.2%, bringing cumulative losses in the past month to

7.9%. On Thursday, the Dow briefly dipped below the level at which it began the year (6,448), but closed on Friday at 6,526, after a 48-point gain on the day.

This weekend many American families will be divided by passionate arguments over whether to stay in the market or get out. More than 43% of all adults now own shares in public companies, according to a recent survey by the National Association of Securities Dealers. Many have never seen a market correction of more than 10% and have come to believe that this remarkable bull run will go on forever. Whatever America's families decide will determine what happens on Wall Street when trading opens tomorrow, and, by extension, to markets around the world. . .

The reason why many analysts believe Wall Street may be in for a severe correction is that the starry-eyed baby boomers may finally wake up to the fact that their recent gains have been largely illusory. While the Dow, Nasdaq and S&P 500 indices have shown impressive gains, average stocks have performed abysmally and the average domestic stock fund (the preferred investment vehicle for most investors) has lost 1.6% of its value in the past three months, according to Morningstar, an information service.

An analysis by Merrill Lynch, the investment bank, before last week's plunge, showed that 37.8% of New York Stock Exchange shares were at least 20% off their highs, and 23.4% were down 30% or more. The situation was even worse on the Nasdaq market, which includes many high-technology firms; 56% were 20% or more below their peaks and 40.5% were off at least 30%. Merrill's Bob Farrell says: "If you strip the financials out of the Nasdaq, the peak was in June. A large section of the market has been in the equivalent of the bear market since then."

A more detailed look at the market reveals some surprisingly big names among the losers. Microsoft was down from its peak by 11% last week. Both Intel and Compaq had fallen 17%, Oracle was off 28% and Cisco Systems 37%. Roger McNamee, a partner of Integral Capital Partners in Menlo Park, California, which tracks 650 technology companies, says the average software company is down 53% from its peak, and hardware companies are down 44%. "Last year a huge number of technology companies were being valued at price-to-earnings and price-to-sales that were almost outrageous," he says. "There was a certain manic nature to the market. The declines happened because the market ran out of new buyers, not because there was anything wrong with the companies. Technology stocks are intensely Darwinian. Corrections winnow out the losers from the herd and make the industry stronger by consolidating it." . . .

Farrell believes a dead-cat bounce may precede a serious market correction. . . . A 10%-15% correction, Farrell believes, will be followed by foreigners rushing into the American market to pick up "bargains." This will drive the market to a new peak before a much meaner decline occurs towards the end of the year. . . .

## U.S. stock market in hyper-instability

by Richard Freeman

Over the last few years, 80 million adults, led by the Baby-Boomer generation, lowered their reserves in banks in order to get rich in the stock market. Between January 1992 and the end of the first quarter 1997, investors poured \$802 billion into the stock market through mutual fund equity funds. These investors include many average citizens—foolishly lured in by media hype, hot-shot investor newsletters, and overall gossip, touting how one could make the greatest amount of money in the shortest possible time. The rising Dow Jones average of 30 industrial stocks, a jerry-rigged index which rests on multiple layers of fakery, was dangled in front of people's noses, to keep the money flowing in. On paper, huge gains were registered.

Now, the entire process is coming unglued. The fall of the Dow Jones by 8.6% between March 11 and April 3, is a wake-up call. A three- to four-month, broad-based liquidation of the value of thousands of U.S. stocks is poised to set off the biggest financial crash in world history. More than 3,000 stocks have lost 20% or more of their value from their one-year high, and of these, 600 have lost 40% or more of their value. There are frantic efforts under way to hold up the value of the highly watched Dow Jones 30 industrial average, involving outright fakery and the use of derivatives in the attempt to draw more money into mutual funds. Though these operations may get a few unwary persons to put more money into mutual funds that will be invested in the stock market, the efforts are ultimately doomed to failure.

The problem is fundamental: For the past 10 years, especially since 1989, the stock market has been growing at a hyperbolic rate. But, the gains are entirely fictitious. Because of the implementation of post-industrial-society policies, the U.S. physical economy has been contracting at the rate of 2% per year. The value of each stock, and its ability to pay dividends, ultimately rests on the reproductive economic potential of America and its capacity to generate real earnings from real economic activity. Real economic activity has been negative. Thus, there is nothing fundamental supporting stock values.

The hyper-instability of the U.S. stock market is characterized by a badly split, two-tier stock market: The top 250, heavily capitalized stocks, led by an upper stratum of 25 stocks, are being pushed up through the stratosphere. Offi-