

Editorial

It's just the stock market—not reality

When the Dow Jones index leaped over 9,000 on April 6, reaching its second 1,000-point mark in eight months, the media went wild. The *Washington Post* ran a full-page spread, picking apart the demographic characteristics of the poor schmoe who are missing out. “The millions of American investors who climbed aboard the Starship Dow before its takeoff in the 1990s have watched their net worth soar to dizzying heights,” according to the *Post*. “But many more have missed the ride. While Americans are piling into the market in record numbers, the most recent data suggest that six of every 10 households still do not own stocks—and thus have reaped no direct benefit from the current boom in share prices.” Charts and graphs underline the point that while 41% of all families own stocks, only 14% of black families do. The *Post*'s message: Get with it, guys!

Once again, the American people are being fed a bunch of baloney. There is an enormous “reality gap” between what all too many Americans believe, and what the rest of the world knows.

Take a sampling of international commentary the week of April 6:

- Italian Prime Minister Romano Prodi tells journalists in Buenos Aires: “I personally believe that we must move towards a New Bretton Woods. And this has to be analyzed very carefully, because the risk level in the international monetary system has greatly increased in the recent period.”

- Italian Foreign Minister Lamerto Dini, discussing the impact of the Asian financial crisis on the West, calls for “a sort of international bankruptcy court, to establish the principle that creditors pay for failures, and that an investment has a risk factor. As with private firms: When one goes bankrupt, you list the creditors; you may reach an agreement, but no one recovers every last penny.”

- German President Roman Herzog, in an interview with the weekly *Der Spiegel*, warns of the consequences of the enormous speculative capital flows. “We should think about the question, whether there shouldn't be institutions that can bring these vagabond masses of capital under control. This is getting out of all national controls—a situation not without the potential to explode.

Apparently, we need to have regulation here.”

- Taiwan's Prime Minister Vincent Siew makes the unprecedented proposal that Beijing and Taipei jointly host a meeting of Southeast Asian countries to discuss the financial crisis in the region.

- London investment strategist David Roche, in an interview with Italy's *Corriere della Sera*, forecasts that “1998 will see a market crash sweeping away 30-40% of stock values. . . . Both the American Fed and the Bank of Japan are printing money as if there were no tomorrow. And the Bundesbank is conducting the most expansive monetary policy in European history. The markets will go up as long as the printing presses work. But this policy contains the seeds of its own dissolution.”

- The German economic daily *Handelsblatt*, in its lead editorial, “Japan Should Make Bull Investors Anxious,” warns of the dangerous disparity between the euphoria on the stock exchanges, and “the weak flank of the world financial system, which is Japan.” Editor Klaus Engeln writes that “the threat of a Japanese collapse is now receiving utmost priority on the agenda of global crisis managers.”

These international commentators are beginning to face up to what Lyndon LaRouche and *EIR* have told our readers for a long time. LaRouche's “triple curve” schematic diagram of a typical collapse function (see back cover of this magazine) shows exactly what is going on right now: Financial and monetary aggregates are rocketing into the stratosphere, sucking investment capital out of the physical economy. Speculators who can double their money in derivatives trading or on the stock market, have no interest in building bridges or nuclear plants, which take decades to realize a profit. As the “triple curve” graph shows, the hyperbolic growth curve of speculative paper leads inexorably to a total collapse of physical, productive economic activity. At that point, the bubble pops, and the financial and monetary aggregates vaporize.

It is in this context, that worldwide momentum is growing behind LaRouche's call for a New Bretton Woods system. That is where reality lies—as far as possible from the virtual reality of the Dow Jones.