

Editorial

Counter Bush-Greenspan Recklessness

In the post-Easter week, a torrent of corporate and financial announcements of losses, bankruptcies, and mass layoffs in the United States, Europe, and Japan, were punctuated by Alan Greenspan's act of desperation, a half-point "surprise" interest rate cut on April 18.

Hyperinflation is continuing to spread from the financial system into a real economy which is experiencing simultaneously a credit crunch. Given these facts—forecast and publicized insistently by Lyndon LaRouche and this news service since Fall 1999—the Federal Reserve's emergency conference call and desperation rate-cut showed both Alan Greenspan's and George W. Bush's recklessness. As LaRouche immediately responded, this recklessness must be counteracted. What is necessary is *short-term interest-rate increases* by Japan, Europe, and the United States to dry out this hyperinflation; and government issuance of *long-term, low-interest credits* into the real economy, for infrastructure and capital goods exports.

The news of the morning of April 18 alone, showed the situation edging closer to a general debt blowout, perhaps to be triggered by Argentina or Turkey's debt crises.

- Telecom services provider Winstar Communications filed for bankruptcy protection, marking one of the biggest bankruptcies in U.S. corporate history; \$6.3 billion in debt, according to Moody's. Half its workforce has been laid off.

- Internet service provider PSINet announced it would file for bankruptcy.

- Cisco Systems, the world's biggest Internet services firm, reported a 30% decline in sales in the first quarter.

- All major U.S. airlines reported large losses, their first money-losing quarter since 1993.

- AOL/Time-Warner reported a \$1.5 billion first-quarter loss.

- General Motors reported an 88% drop in earnings in the first quarter, compared to one year ago. Gillette Co.'s net income was announced to have dropped by 29% with a sales drop of 7%; Whirlpool's net income

by 63%; and the huge International Paper Company's earnings by 91%.

- Intel's earnings in the first quarter fell by 82% against the first quarter of 2000.

- J.P. Morgan-Chase and Merrill Lynch reported drops in earnings of 28% and 16%, respectively.

- The U.S. trade deficit figures were announced for February, showing the third consecutive monthly decline because of falling imports into the United States. This was a sharply larger decline than the previous months: imports fell by 4.4%. China's imports to the United States fell by \$2.1 billion; Europe's by \$2.3 billion, and Canada's by \$2.4 billion.

- Japan's Financial Services Agency released an estimate that the bad debts of the Japanese banking sector are double previous official estimates, despite government bailouts already exceeding \$1 trillion. The rate of growth of losses from non-performing loans now exceeds the total annual profits of that banking sector, so these banks cannot use earnings to write off the bad debts.

- Japan's trade surplus was reported down 20% for the year ending March 31, in spite of the very low yen.

Thus the great irony of the "suckers' rally" which ensued on Wall Street, in reaction to Greenspan's desperate "surprise" rate cut on April 18.

No one should have been surprised at the reckless interest-rate cut by Greenspan and Bush, nor at the other events of April 18. LaRouche had forecast them, and since his international webcast of Jan. 3, had forecast very precisely what Greenspan was going to do as the evidence mounted that he and the Fed have lost all control. But now there is a great penalty to be paid for each reckless move by Bush and Greenspan for further hyperinflation, further extreme deregulation. LaRouche put it thus: Bush dodges a 10-megaton blowout by such measures, in order to rush on toward the 100-megaton blowout he creates by that desperation. The actual measures which are required, as LaRouche laid them out in his April 18 press announcement, go in the diametrically opposite direction.