

Editorial

Depression Shocks, Shocking Denials

The dangerous myth of the 1990s “New Economy” has now collapsed: exactly 14 months after *EIR* had published its June 2000 special report declaring the “New Economy” a moribund fraud, and including Lyndon LaRouche’s report on “The Information Society: A Doomed Empire of Evil.”

Newly revised figures on 1995-2000 profitability of U.S. corporations were released by the Commerce Department on July 27. They showed that the profit collapse which is now throwing hundreds of thousands out of work across the United States, Europe, and Japan, is actually just a continuation of the 1990s *fall in the real profitability of these economies*—exactly what LaRouche insisted in the June 2000 and numerous earlier reports.

The Commerce Department revisions were a bad shock to Alan Greenspan, who has brainwashed himself, and American elected officials, into thinking that the “New Economy” produced a new millennium of productivity and profitability. “We are moving into an economy, the structure of which none of us have ever seen before,” he told Congress, for example, in February 2000. But the figures now acknowledge that U.S. firms’ total profits were falling steadily from 1997-2000, before taking their 67% plunge during 2001. In the manufacturing sector, total profits had already fallen by 20% during the 1990s, before their collapse this year. The so-called “New Economy boom” was nothing but a huge asset-inflation, covering up real economic collapse and financial crises by liquidity-pumping of the Federal Reserve and other central banks, and by massive expansions of debt of consumers and corporations.

The *Los Angeles Times*, in a series of articles beginning Aug. 5, pointed to a lawful feature of this fake “boom”—it is the only period of alleged “prosperity” in a century or more, in which there was a continuous decline in public investment: public health, public schools, highways, airports, water and sewer, electricity, etc.; and a deterioration of all forms of economic infrastructure.

The real net profitability, of the real, physical econ-

omy of the United States, has been falling by perhaps 2% per year *since the 1970s*, as investment went into global financial speculation and globalized cheap labor. During the 1990s, *EIR* repeatedly proved this with its “market basket studies,” showing the real *increasing social costs* of producing the vital elements of production and consumption in the economy. In 1994, LaRouche forecast that the system would reach a total collapse by the end of the 1990s. That depression collapse which he forecast then, is on.

But the crucial news, is that as the depression shocks now come on, responsible officials and leaders, except for LaRouche, continue hysterically to deny them. In Germany, with production and exports falling and unemployment surging over the 4 million mark, Social Democratic Chancellor Gerhard Schröder lashes out with insults at questioners who bring these facts up, insisting that the policies which caused them are “successful.” The G-7 leaders meeting in Genoa resolutely denied that anything was wrong with the global economy. In the United States, not only do Bush and Greenspan insist that their policies “are working,” but the Democratic leaders of the Congress say nothing about anti-Depression measures, despite more than 200,000 Americans laid off in July alone.

And the government statistics for the current months and quarters become more fraudulent with each passing period, with the blatant intention of preventing public discussion of the economic collapse. In July, for example, with the largest mass layoff in the U.S. economy in at least a decade, the Labor Department was unable to detect any increase in unemployment at all! Drops in production, with even greater drops in employment, are called “productivity increases.” As LaRouche put it, these agencies have always massaged the statistics—but now, they’re raping them.

These denials, and the refusal to act on recovery policies, which the denials allow, are a danger greater than the economic collapse itself. Nothing will be done, nothing good will happen, until LaRouche is directing the recovery.