

Editorial

'Stale, Flat, and Unprofitable'

Congressional hearings and the media remain full of flying reports about the accounting fakery pulled off during recent years by supposed “rogue firms”—Enron merely the most notorious—in the telecom and energy industries in particular.

But the obvious fact is missed: Except for the handful of firms actually being prosecuted or threatened with investigation of their phony profits, thousands more are continuing to issue faked profit reports, and these new frauds are being adduced as anecdotes of an allegedly ongoing “recovery” of the U.S. economy, by the same press and elected officials who are clucking over the frauds of last year.

The most glaring case of unchanged fakery has been Cisco Systems, which earlier this month managed—by the simple trick of omitting very large expenses from its balance sheet—to turn an actual multibillion-dollar loss in the first quarter, into an announced multibillion-dollar profit! This sham produced a big day-and-a-half worth of rally on the stock exchanges, and was hailed as great economic news, although it was nothing but more 1990s-vintage “New Economy” chicanery masquerading as profits.

As *EIR* economic analyst John Hoefle points out in this issue, “Even with all the tricks, the reported level of corporate profits is declining in the United States. U.S. corporations reported \$767 billion in net profits in 2001, down from \$876 billion in 2000. Heaven knows what it would be, were honest numbers reported.” And his data show that even with all these shams, U.S. corporate profits have in fact, officially, been falling since 1997.

There was, then, no “profit and productivity” boom in the 1990s—the “New Economy” was a fraud years before it obviously went bust. Why then, are Americans so desperate to be lied to about the economy now, when they claim to be so angry about the frauds committed by “rogue corporations” then?

It’s a question of leadership. As Lyndon LaRouche said recently of the Great Depression, “Herbert Hoover was ruined, not by the Depression. . . . The Depression

and stock market crash of ’29 hit shortly after he became President. It was Coolidge and Andrew Mellon, who actually, objectively, took the blame for the Depression itself. What ruined Hoover, was the fact that he pretended there was going to be a recovery, when none was possible. It was the fact that he *lied* to the people, in effect, by promising a recovery. That is what ruined Hoover’s reputation.”

The situation today is the same, although the measures which the “New Economy” and the government have taken to conceal economic collapse, are far more sophisticated and all-pervasive, than was the case in the early 1930s when Herbert Hoover made himself a name of opprobrium. In the 1932 Presidential campaign, Franklin D. Roosevelt and his future Labor Secretary, Frances Perkins, made great efforts to organize an exposure of the statistical fakery concerning unemployment and production, in order to win the American people away from that deadly desire to be lied to about a “recovery.” Their efforts at that time, were like the sharp and continual warnings issued by Lyndon LaRouche during the 2000 Presidential campaign, that the “New Economy boom” was a bust in fact, and that the bottom would fall out of the economy at the end of that campaign. The measures by which Al Gore, the party leaderships, and the media blacked out LaRouche, to protect the many “Enron” frauds, were—again—much more pervasive than those used in the early 1930s by Morgan and Mellon, but to the same purpose.

And the issue of the relation between truthful leadership, and a citizenry not desperate to be lied to about “recovery,” is the same today. It is the issue that makes LaRouche’s leadership the only chance today, as he puts it, that “this government must come to its senses, and other governments; and must agree to change the system, as if turning on a dime.”

LaRouche gives a Memorial Day webcast presentation on the Internet this week—Tuesday, May 28, at 1:00 p.m. EDT—before a Washington, D.C. audience, and available on larouchepub.com throughout the week. That issue of leadership should make you listen.