Consumer Confidence Con Job

Even the crudest of official statistics and indices now coming out for August and September, document how the U.S. collapse process has been under way for months.

What about "consumer confidence"? Millions are now worried about their existence, not their shopping. The immediate background to this is shown in **Figure 2.** As of the first quarter this year, the United States had a per-household ratio of $68,249 in national household debt (all kinds), when in 1990 that figure was $38,838, and in 1980, $17,381. Now, households do not have the means to service this debt. The Labor Department report released on Sept. 27 said that jobless claims for the week ending Sept. 21 rose by 58,000, to 450,000, the highest level in nine years.

On Sept. 25, the private business research group, the Conference Board, released its September figures for U.S. consumer confidence, showing a much stronger fall than had been expected—and most of its Sept. 1-21 survey was conducted before the Sept. 11 attack.

The index measuring consumer confidence fell from 114.0 in August to 97.6 in September, the lowest level since January 1996. It was the biggest monthly drop of the index in 11 years.

Millions of consumers are among the 48% of U.S. households involved in the stock market directly or indirectly, and have watched as stock market valuations fell from $14.5 trillion in March 2000, to $9 trillion as of August. The events of Sept. 11 did not figure in this.

Tony Dye: 'Greenspan Is The Real Culprit'

On Sept. 23, British financial expert Tony Dye warned that Federal Reserve Chairman Alan Greenspan and friends are using the events of Sept. 11, to "cover" for their own responsibility, for the onrushing financial collapse. While Dye's criticisms of the bubble are strictly in market terms—not addressing the 30 years of policies which have destroyed the physical economy, or what should be done to solve the crisis—they are nevertheless useful.

For half a decade, Dye has been warning that the "bubble" created by Greenspan was becoming unsustainable. In the March 9, 1997 London *Sunday Telegraph,* he warned that the world was heading toward a "$55 trillion nightmare," because of the coming collapse of a world derivatives market with that estimated value (see *EIR,* March 28, 1997).

In recent years, Dye had come under vicious attack, as the global markets soared and his "bear market" forecasts apparently were not being borne out. Under such pressure, he had recently stepped down as head of Phillips & Drew Fund Management (PDFM).

But, on Sept. 23, twelve days after the Sept. 11 attacks, Neil Bennett, the *Sunday Telegraph* City Editor who had featured Dye's warnings back in March 1997, wrote a feature entitled "Markets In Meltdown," which asserted: "Tony Dye was right. He was the Dr. Doom of the stock market who . . . attracted scorn and disbelief, for his constant warnings of an impending stock market crash, in the past five years."

Dye told Bennett: "It is a shame it has happened this way, because the [Sept. 11] disaster will provide a bit of cover for the people who pushed the market up. Alan Greenspan is the real culprit who let this market get out of kilter. The disaster has only accelerated an inevitable process. . . .

"This bubble started to form in 1995. At that stage, it was minor, but by 2000, it was the biggest in history. The people who should have been worried were the financial regulators, but they merely exacerbated the problem."

Dye warned that "when bubbles burst, they do a lot of damage, because people make erroneous forecasts on erroneous market levels. . . . Bubbles create a lot of bad investment, and you have to get rid of it all and start again." Dye insisted that companies will suffer more in this downturn compared to previous ones, primarily because "there is going to be a big increase in bad debts now."

Market Collapse Accelerating

Bennett emphasized that the "cataclysmic week in world equity markets," the week of Sept. 17, was "the worst since the Depression in the 1930s." He said, "The fall in share prices has been accelerated, because some of the market's biggest investment groups have been selling. The U.S. mutual funds have been liquidating parts of their portfolios and increasing their cash reserves, in anticipation of a wave of redemptions from private investors. The general insurers and reinsurers, meanwhile, have also been selling to build up their cash reserves, to prepare for the flood of claims from the disaster that will soon hit them."

On Sept. 24, a senior City of London expert told *EIR,* "All sorts of techniques will be used, now, to kick the markets up. But I don't read too much into that. We're still headed for lower levels. Ordinarily, during a crash like this one, you would find money pouring back in, to buy up cheaper assets. But now, even as the crash deepens, values are so high, because Greenspan had so inflated prices, that that kind of buying is not going on."—*Mark J. Burdman*