

The Internet companies and the stock market

14 January 1999

To the editors of the *World Socialist Web Site*,

I'd like to thank you for your excellent article on the inflated stock values Internet-based companies like broadcast.com have been generating on Wall Street for some time. As a technology journalist, whose area of expertise is the Internet, I've been baffled by the support investors have given to such companies when, as you so clearly point out, many are not going to be making a profit for some time; in fact, many are in such poor fiscal shape that if they were a "real world" company like General Motors or IBM, investors would be jumping ship in droves. You are correct in arguing that all of this is being driven by "quasi-religious national obsessions" that are now fueling a dangerous bubble that is likely to burst very soon.

The only credible explanation that I have ever been given as to why this feeding frenzy is happening was by a stock analyst whom I interviewed for a story I worked on that was similar to yours. He told me Wall Street is looking to recreate the heady, free-wheeling days when companies were driving earnings up by 15-20 percent each year. Internet-based companies like broadcast.com or amazon.com today seem the most available candidates for that kind of growth and investors are willing to look the other way if the companies are on less than sound financial footing.

Only we must remember that in the case with those earlier, non-Internet-based companies, investors were willing to overlook that fact that such spectacular earnings were made on the backs of downsized workers, frozen wages and outrageous corporate executive bonuses and salaries. Those heady days had a dark side many are willing to forget. In the end, when the bubble bursts, the people who will be most hurt by all of this will not be the executives of these Net-based companies.

They will have earned their million dollar bonuses and gone off to greener pastures. Instead, it will be the hundreds of thousands of middle and working class

people who have put their money into the stock market though various mutual and investment funds that are going to suffer as their investments disappear and the economy spirals downward. Your article should be a warning to everyone, especially those who now want to tie Social Security to the stock market or too much of the US economy to the vagaries of the investors on Wall Street.

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