

Le Monde reported a speech made by Vivian Forester, authoress of *L'horreur économique* which has been translated into 18 languages and sold 340,000 copies in France alone, in which she had said "The market economy conceals a virtual economy which is increasingly speculative. The globalization is all right but there is no reason to leave it to businesspersons and financiers". The Press has given praise to this speech and there has been a talk about her opinions at the hotel where she stayed.

Her discovery of the virtual economy leads me to an effort to analyze the virtual economy created by speculation - a fragile economic structure formed as a result of the liberalism which is forced by the

higher than profits earned by trading in other goods and services. An investment equaling 1% of the value of future contracts can produce a 300%, or even 400%, profit if the dollar rises by 3% or 4%. However, the speculation doesn't contribute to real national income because its profit isn't divided among different persons. It's only a redistribution of wealth between those who made wrong or right speculation. It's irrational to consider it as a real profit as what is earned by other producers or suppliers of goods and services. To liberate the finance system following advice given by economists who support speculation in stock market means to turn the economy to a bubble.

+ Virtual capital turnover: Since

+ Virtual large size: The total capital registered by companies in New York SE has been higher than the GDP value. This has never been known since 1929.

Like the speculation in stock market, the virtual economic growth is also formed as a result of speculation in real estate. Big companies in HCMC, such as Epco and Minh Phung, with the help from venal banking officials, have made prices of real estate skyrocket. When these companies went bankrupt the prices fell sharply and the banks couldn't collect their debts by selling mortgaged real estates.

We had better thank Vivian Forester for her book. Many readers have protested her but nobody could show that the speculation in stock

VIRTUAL ECONOMY, THE ONE THAT FALLS EASILY

by VŨ NGỌC NHUNG

IMF on crisis-ridden countries in Asia. George Soros is very enthusiastic about this policy and his attitude is very questionable. Many people even think that there must be another organization beside the IMF to reduce risk caused by financial liberation.

Speculation is lawful in most stock exchanges. Speculation is considered as productive and practiced everyday by professionals. It produces the following virtual effects:

+ Virtual growth rate: The growth rate of the Zurich Stock Exchange in recent years was 35% on average; of the Amsterdam SE and many others was some 30% while an economy with a growth rate of 10% is considered as too hot. People with common sense will wonder why the SE should grow seven or eight times faster than the economy. If the capital is employed more effectively, the capital turnover will be high, and then, why can the rate of capital accumulation be higher than the economic growth rate? Do adventurous financiers want to push the world economy into risky speculation in stock markets?

+ Virtual profit rate: speculation in stock markets can produce big profits, even hundreds of times

the 1970s, the value of transactions in financial instrument has been hundreds of times higher than the value of transactions in other goods. If we consider it as the real capital turnover, we must accept that in stock market, the capital must be turned over 100 times to match one time the capital is turned over in the commodity market.

+ The vaporousness of speculation in stock market causes great changes in flows of capital. Big speculators can cause sheep effect, or bubbles, under which people rush into buying or selling shares and stocks, thereby changing the flow of capital between one country and others. That is why many companies in countries with financial crisis found their share capital reduced by 50%, or even 90%, overnight in July 1997 while the financial difficulty wasn't big enough to bring them to the brink of ruin. Nothing could make share capital vaporize faster than a 100-time increase in demand for the dollar. Thailand failed to keep the crisis at bay although it had spent US\$23 billion from its reserve, so it had to let the exchange rate float in July 1997, and as a result, the financial crisis broke out in Southeast Asia.

was a real economic activity. How can they show that financial bubbles are unbreakable when these bubbles led to a crisis in the world stock market in 1987?

Speculators and their supporters think that they could lead the world economy to the cycle of booms and slumps of the period before 1993. We need scientific arguments to disillusion them because they are big financial tycoons who control a lot of mutual funds (but most of them are hedge funds). With help from politicians, they have brought pressure to bear on Malaysian PM Mahathir to change his policies. The Malaysian government has decided to stop depending on the IMF help, and after many efforts, it succeeded in raising the ringgit by 35% in February 1998.

It's regrettable that the IMF has paid no attention to the suggestion about the control over international trade in financial instruments made by Asian Finance Ministers in the conference with U.S. representatives on Dec. 31, 1997. Economists supporting financial speculation are reluctant to discuss this problem openly because, perhaps, they know all their efforts would end in failure. ■