

# MONEY MYTHS

**THE MYTH: THE JAPANESE STOCKMARKET PLUNGED WHEN A RUMOUR SURFACED THAT US PRESIDENT RONALD REAGAN HAD HAD A HEART ATTACK. IT TURNED OUT TO BE BRITISH SKIFFLE STAR LONNIE DONEGAN.**

**THE REALITY:** One can imagine the Japanese larynx struggling with Donegan's name and producing something not a million miles from Ronnie Reagan. And we all know that stockmarkets can sometimes panic at the wildest of rumours.

Besides, who could doubt that Reagan – already 70 when he started his eight-year term in the White House – was a prime candidate for heart failure? Given the low esteem in which vice president George Bush was held, it seems logical that markets would panic on rumours of Reagan's demise.

One recent version appears in Martin Baker's book *A Fool and His Money*. Baker says: "The British news wires are read internationally, and when the [Donegan] story is

posted as the early lead, the Japanese market goes totally berserk. For a few, panic-stricken minutes, shares plummet."

No doubt about it, it's a good yarn. There's just one snag: for the story to be true, Donegan would have to have suffered his heart attack while Reagan was actually in office. According to Baker, for example, it all happened in "the late Eighties".

In fact, a check of the clippings reveals Donegan suffered his only recorded heart attack on Friday, February 21, 1992 – a full three years after Reagan quit the White House to retire to his California ranch.

Getting in a flap about the supposed death of a serving US president – even for a few minutes – is one thing. But surely even hyperactive Japanese dealers would be hard-pressed to panic over the demise of one who had not been in office for three years?

Baker was, at least, careful to stipulate in his version of the story that shares soon recovered. Other raconteurs are less scrupulous, claiming the damage was serious enough for Japanese shares to show a decline on the day's trading as a whole.

In fact, Japanese shares were busy staging something of a rally at the time of Donegan's heart attack. Warnings of poor profits from Japanese industrial giants such as Sony and Toshiba had left the Nikkei in the doldrums for most of February that year.

But trading on February 20 took the index up by 153.62 points to 20,771.92. The next day, shares rose faster, up 519.89 to 21,291.81. Hardly a panic.

The tale is a neat echo of an earlier time when rumours of a premature demise really did hit shares. The incident, in the reign of Queen Anne, is recorded in the 1986 book *House Scraps*:

"Down the Queen's Road, riding at a furious rate, ordering turnpikes to be thrown open, and loudly proclaiming the sudden death of the Queen,

rode a well-dressed man, sparing neither spur nor steed. From West to East and from North to South, the news spread.

"Like wildfire it passed, till it reached the City. The funds fell with a suddenness which marked the importance of the intelligence. There is no positive information to fix the deception upon anyone in particular, but suspicion was pointed at those who gained by the fraud so publicly perpetrated."

In fact, of course, the Queen was alive and well. No doubt the Donegan story will continue to enjoy equally robust health. Like many Money Myths it tells a small lie to get at a greater truth – in this case the fact that stockmarkets often behave irrationally.

**Paul Slade**

● *A Fool and his Money* is published by Orion Books. *House Scraps* is published by Rosters.



**RONNIE DONEGAN**