

## U.S. regime 'in despair' as depression looms

by Anthony K. Wikrent

The latest "news" from the lying scoundrels who determine U.S. economic policy, is that a great boom is occurring in the Pacific Northwest, where Boeing has amassed an \$80 billion-plus backlog of new orders for commercial aircraft. This new fabrication is intended to conceal the reality that the United States is in a depression. From the homeless people panhandling on almost every downtown street corner in the cities, to the horrendous figures being released for second-quarter corporate earnings, the signs of collapse are everywhere.

Housing starts dropped for the fifth consecutive month in June, to an annually adjusted rate of 1.18 million units—15.7% below what they were a year ago. New home sales are at about half the construction rate, at an annual rate of 546,000 units—21% below last year. "We're worse off today than we were in the early '80s when we had those incredibly high interest rates," a home builder in Bricktown, New Jersey told the *New York Times*.

Construction contracting for large projects showed a 6% increase in May, according to the F.W. Dodge Division of McGraw-Hill—only because the Army Corps of Engineers began three new waterway projects in Oregon, West Virginia, and Pennsylvania. George A. Christie, chief economist at F.W. Dodge, otherwise noted that construction contracting appears to be settling in at a level 10% below that of 1989.

Auto production posted some very weak gains—only because automakers are stocking up in anticipation of labor disputes, as contract talks with the United Auto Workers begin. Total year-to-date production at the end of June was 19% below last year. Industry analysts expect that the automakers will post very dismal earnings—if any at all—since sales in the spring, traditionally the best quarter, fizzled.

Heavy truck sales collapsed 26% in June. Sales of Class

8 trucks (33,000 pounds or over) for the first half of the year were down 18.1% from last year, and down 8.5% from May, reversing a seasonal trend of prior years, indicating how badly damaged the trucking industry now is.

Total U.S. oil imports of reached an all-time high of 52.3% during June, because U.S. crude production has collapsed to the lowest level in 29 years, 7.3 million barrels per day. Total imports for the first half of the year also reached a record high of 49.9% of deliveries, surpassing the first half of 1977 record of 48.8%. Domestic production fell in the lower 48 states to 5.5 million bpd, the lowest level in nearly 40 years.

### Defense and aerospace hit hard

But the worst news comes from the aerospace industry. By the beginning of June, the Aerospace Industries Association had tracked 16,000 layoffs among its 54 member companies, 28% more than it had forecast; Lockheed had announced that it was shutting down all its operations in Burbank, California, and parceling them out to remaining facilities in Palmdale, Calif. and Georgia; Northrop had announced that it was planning big layoffs in the B-2 Stealth bomber program; General Dynamics had admitted it will have to lay off about 7,000 of its 32,000 workers in Fort Worth, Texas; and executives at the McDonnell Douglas civil aircraft facility in Long Beach, Calif. had issued an internal warning that "the company is in big trouble . . . [the Long Beach facility] could be history."

On June 9, Texas Instruments announced 1,000 layoffs at its Defense Systems and Electronics group in Fort Worth, Texas. On June 23, Grumman Corp. announced that it was offering early retirement to 6,000 employees—one-fifth of its work force.

One week later, McDonnell Douglas announced it was laying off 2-4,000 workers at its Southern California plants. On July 16, the *Journal of Commerce* reported that "a well-placed industry source" who supplies parts to McDonnell Douglas, which is the nation's largest defense contractor and second-largest aircraft manufacturer, was told by several managers at the Douglas commercial aircraft facility in Long Beach, Calif., that the commercial aircraft operations are for sale, and the most likely buyer is Mitsubishi Heavy Industries. Just a few days later, McDonnell Douglas announced that it is terminating 17,000 employees, or about 13% of its work force.

On July 9, Boeing said it expects to cut its work force in Washington State by another 2,700 jobs in the second half of this year, bringing the total jobs cut in 1990 to about 5,600, or 5% of its 103,800 workers there. Boeing explained that its 747-400 jumbo jet program is past the start-up stage, and is unable to absorb workers cut from defense programs.

Four days later, Northrop tripled the number of workers, to 1,400, it was terminating from the B-2 program in Pico Rivera, Calif. and said that it will transfer production of the center fuselage section of the B-2 from Pico Rivera to its facility in Palmdale. Northrop is now considering closing some of its facilities in Hawthorne, Calif. as well.

At this rate, the defense industry will be shredded before any of next year's intended budget cuts go into effect.

### **Deficit and corporate debt out of control**

On July 16, the Bushmen announced, once more, an increase in the FY 1991 budget deficit, to \$168.8 billion—\$104 billion over the Gramm-Rudman ceiling, \$69 billion over last January's estimate, and \$10 billion over the projection given just one month before. Meanwhile, the Treasury is seeking a record 12.3% increase in the national debt ceiling, to \$3.5 trillion by mid-August—or the U.S. government will have no alternative but to default on \$20 billion in notes maturing on Aug. 15 and \$21 billion in interest payments due the same day. And on July 18, House Democrats warned that the Resolution Trust Corp., charged with bailing out the savings and loans, will run out of money in three months.

U.S. corporate bond defaults increased 150% in the first half of 1990, according to the Bond Investors Association. In April through June, there were 26 companies that defaulted on their bonds, totaling \$5.7 billion, bringing the year-to-date total of corporate defaults to \$11.4 billion. Moody's Investor Service reported that the creditworthiness of U.S. corporations declined at a record rate in the same period. Downgrades of corporate debt issues were 4.2 times upgrades, far worse than during the 1982 "recession" year, when downgrades led upgrades by 2.8 to 1.

### **Administration plans more austerity**

Bush and his minions are not ignorant of this mess. "A real sense of despair now permeates the White House and

upper echelons of the administration on the economic and financial state of the U.S.A." an unnamed U.S. senator who attended the Bush-Congress budget summit of June 26 wrote. "The deterioration in the economy has apparently come as a great surprise—how much longer did they feel they could walk on water?"

What, then, is Bush going to do?

The underlying assumptions of the President's policy were the subject of comment in the July 15 London *Sunday Times*, by Economics Editor David Smith. The Fed's easing, Smith wrote, "confirmed that deep-seated worries about the banking system are now guiding economic policy in Washington. . . . Richard Darman, President Bush's budget director, is said to have told congressmen at a private meeting that the administration was becoming alarmed about the fragility of the American financial system. Bush's willingness to compromise over raising taxes, reflected such concerns. [Federal Reserve chairman Alan] Greenspan . . . is known to be concerned about the banking system's ability to withstand a recession."

But the banking and financial system cannot possibly be saved without resurrecting the real productive basis of the economy—the nation's farms, factories, utilities, and transportation systems that produce and distribute the physical goods and services of human economic activity. Financial considerations are merely secondary to considerations of physical production. Even certain factions in Britain are beginning to recognize this truth (see article, page 6).

In point of fact, the political rulers of the U.S. know that—but they are committed to saving the banking and financial system, while the real economy plunges into its final death agonies, taking living standards with it. Can it be any mistake that a new study, published July 14 in the *Journal of the American Medical Association*, found that in New York and New Jersey, AIDS is the number-one cause of death for black women aged 15 to 44? Or that Budget Director Richard Darman told the Congress that the effects of \$100 billion in automatic budget cuts would include the cessation of meat inspection for five months, and an end to vaccinations for 1 million children?

Can it be any mistake that the U.S. Senate passed, by a 94-6 vote, an Omnibus Crime Bill that expands from 23 to 34 the number of federal crimes that would warrant the death penalty, including crimes against property, and crimes of intent, such as threatening a government official? Perhaps the senators are aware that their actions will trigger an explosion of rage against them by their constituents.

Bush heads a bipartisan political regime that is rapidly preparing to deal with the social consequences of the physical destruction of the U.S. economy, wrought by the past 30 years' evil financial and economic policies, by imposing draconian austerity. It won't work, and that is exactly why the present political and financial leadership of the U.S. must be driven from power as quickly as possible.