

## Depression now a 'downturn,' as Bush scapegoats Iraq

by C. White

Barely a month ago, before the November elections, President Bush was still circulating fictional accounts about the health of the U.S. economy. In the week before the election, hoked-up Gross National Product (GNP) data were trumpeted far and wide by the President, his Treasury Secretary, and the head of the White House's Council of Economic Advisers. Now, a month after the elections, all these lies are being pushed aside. Federal Reserve Board Chairman Alan Greenspan has begun to talk of a "meaningful slowdown," and government forecasters are working on an analysis which is expected to be released by early next year, which will admit that the U.S. economy is in a recession.

The change is the adoption of new lies for the old. Now Bush and company admit to a slowdown, and as portended before the election, Saddam Hussein is being named as the culprit on whom the failures of this and previous administrations are being conveniently pinned.

New lies won't disguise the reality. The depression is here, and Saddam Hussein didn't cause it. In New York City now, for example, jobs are being lost at the rate of 7,000 per month in every category from construction, to manufacturing and assembly-line jobs, to Wall Street financial outfits. Growing unemployment is translating into the shortfall in revenues which is bankrupting state and local governments throughout the country.

It's all going—the whole economy. Nationwide, the case of the auto industry is indicative. One hundred and seventy-five thousand auto workers have been laid off so far this year, according to the Motor Vehicle Manufacturers Association.

For the first time in eight years, U.S. companies expect to dismiss more employees than they hire, according to a Manpower, Inc. survey. Of 15,000 companies surveyed, 16% plan to reduce their work force, while 15% plan to

increase it. Just three months ago, 23% of the companies surveyed planned to take on more workers, and only 11% were planning to dismiss workers. Manpower president Mitchell Fromstein said that hiring activity is now reaching recession levels in all sectors of the economy, and all regions of the country, except the Midwest, where as many companies plan to reduce workforces as plan to increase them.

Government data on employment are notorious fictions. Such corporate plans ought to be seen in the context that actual unemployment, once those the government omits are included, is three times what is claimed, 18% and over, not under 6%.

With this, corporate purchasing managers, whose report on October activity was issued Dec. 3, turned in their lowest level of activity since the depth of the collapse of the U.S. economy in 1982 engineered by then-Federal Reserve Board chairman Paul Volcker. The purchasing managers' report monitors the flow of inputs into manufacturing and other sectors.

### Greenspan turns a phrase

On Nov. 28, Federal Reserve Board Chairman Alan Greenspan told the House Banking Committee: "All indications are that a meaningful downturn in aggregate output occurred as we moved through October and into November." With typical administration cynicism, he described this, not as depression or recession, but as "gradual decline."

Greenspan said, "What we're looking at is a gradual decline, which if it persists, will give us a fourth-quarter GNP which is negative." And here is the absurdity. Greenspan went on to claim that "the meaningful downturn" was attributable to Saddam Hussein's invasion of Kuwait on Aug. 2, and to the effects since then of higher oil prices.

This is also the message President Bush has delivered since the Nov. 6 elections, as he did on Nov. 30 when he addressed a gathering of bankers at the White House. Now, we also learn that the Council of Economic Advisers, under Michael Boskin, the Treasury Department, under Secretary Nicholas Brady, and the Office of Management and Budget, under Richard Darman, are in the process of preparing their forecasts of expected levels of economic activity for the last quarter of 1990 and the first quarter of 1991. The bureaucrats preparing the estimate reportedly have been given political clearance from the top to project two successive quarters of a downturn. They therefore join Greenspan and the Commerce Department's Index of Leading Economic Indicators, which now shows four straight months of economic decline. The just reported 1.2% drop in October was accompanied by a downward revision of the results for last July.

Before the election, the lie was that growth was continuing; now, it is that Saddam Hussein caused the slowdown. Trying to now blame previously manufactured domestic disasters on Saddam Hussein is ridiculous.

This came up during Greenspan's testimony. The Federal Reserve chairman was asked how he reconciled what is called "anecdotal" evidence from around the entire country of the depth of the downturn, with the Federal Reserve's own data. He replied: "The world out there, when you look at the hard data, is not in as bad shape as it feels. This is not an unusual phenomenon."

For Greenspan, the banking system may be bankrupt, real estate collapsing nationwide, businesses, like the airlines, lining up outside bankruptcy courts for protection, and alarm bells ringing about the insurance companies, such as Equitable Life Insurance, the third-largest insurer in the nation, but the world "is not in as bad shape as it feels."

The cynicism of all this is extraordinary. A new Internal Revenue Service tax ruling gives media companies, retailers, cellular telephone concerns, and other companies a two-month window to sell subsidiaries below cost or close them completely and deduct the losses from their taxes, the Dec. 4 *Wall Street Journal* reported. Besides allowing over-leveraged companies to write off their losses on their taxes, the ruling gives a shot in the arm to the Wall Street firms that will handle the sales and closures. The Nov. 19 ruling reverses a March ruling blocking such deductions, and leaves the window open until Feb. 1. Greenspan's decision to permit the banks to lower their reserve requirements works to the same effect. This is exactly the kind of corruption and fraud which got the country into the mess in the first place, long before Saddam Hussein invaded Kuwait.

## Causes of the depression

This depression started during the winter of 1981-82 when the cumulative effects of Volcker's high interest rate policies ripped the U.S. economy apart. Volcker's wrecking operation was part of a policy commitment, which has re-

mained unchanged since the assassination of President John F. Kennedy on Nov. 22, 1963, to destroy the basis of human existence through eliminating technology-based forms of organization of human progress. There can be no human progress without technological advance; without technological progress mankind would die, and that is the intended result.

The depression was covered over by genocidal looting of Third World nations, by the creation of a speculative bubble of debt bigger than any in human history, and by the public relations campaign of lies about the "recovery" and "continuing economic growth." This came to an end in the fall of 1989 with the collapse of the more extreme forms of speculative excess, the junk-bond financed leveraged buyouts. That didn't stop the lies.

## Bush's 'Big Lie'

And now come the new lies. In a series of speeches in late November, including his press conference Dec. 1, Bush tried to lay the blame for the worldwide economic downswing on Saddam Hussein. Attacking critics of the U.S. threats to launch aggressive war, Bush said: "Those who feel that there is no downside to waiting months and months must consider the devastating damage being done every day to the fragile economies of those countries that can afford it the least."

This sleight of hand ignores the fact that it is the United States which has prevented the Iraqis from marketing their oil. It also ignores the reality that the U.S. economy has been in a downturn since well before Iraq invaded Kuwait.

The real change is not that the economic indicators are now registering a decline, but that the *political decision* has been taken to try to maintain some credibility for the indicators and the administration.

Economist Lyndon LaRouche warned in a statement issued Aug. 14 by his congressional campaign, that Bush is using the Gulf deployment to deflect Americans' attention from the growing economic crisis. LaRouche said that Bush's decision to send hundreds of thousands of Americans to fight in the Gulf, and minimally tens of thousands to die, was a "flight forward by Bush, [who was] seeking a refuge from the U.S. economic crisis in military adventure in the Middle East."

As *EIR* has warned repeatedly, the Nov. 6 elections were a turning point for the U.S. economy, because after the elections the international banking community was determined to prevent the Bush administration from papering over the shutdown of production at home by exporting inflation abroad.

Subterfuges like the abortive preelection budget "submit" cannot continue to cover up the desperate condition of the U.S. economy, as plant shutdowns continue, and more major financial institutions go bankrupt. And another series of lies, identifying Saddam Hussein as responsible for what can no longer be concealed, isn't going to work either.