Despite primary, there is no 'recovery surely on its way'

by Chris White

After another round of presidential election primaries and another monthly round of government statistical releases, it is no accident surely that on the eve of primary elections in Illinois and Michigan, George Bush's loyal administrators should see fit to issue a bunch of reports indicating that a turnaround in the economy is under way.

Thus, on March 16, came forth from the relevant offices in the Department of Commerce and the Bureau of Labor Statistics news reports about housing construction, manufacturing activity, and prices, in the form of the Consumer Price Index, tailored for the evening news headlines for primary eve in the formerly industrial states. One can already imagine the releases being prepared for the eve of the nominating convention later on.

The details of the reports don't matter. Nor, really, do the public relations caution of administration hacks, like White House spokesman Marlin Fitzwater and Council of Economic Advisers Chairman Michael Boskin, that there are "hopeful signs, but it's too early to be making any declarations," as contrasted with the euphoria of the cheerleading squad at the U.S. Chamber of Commerce, from which quarter issued the singularly definitive statement, "The long recession is over," and the unfortunate utterance of John Aberton, who said, "Kiss the recession good-bye."

More substantially, each of the reports issued, as also with the Federal Reserve's latest "Beige Book" offering released March 18, adopt the same standpoint made notorious 60 years ago by Bush's predecessor, Herbert Hoover. The key word under which such ersatz reports might well be filed in the vaults of the government bureaucracy for use whenever required, is "sales"—more new homes, more automobiles, more appliances, with lower inflation.

People are supposed to be beginning to buy again, their buying creates activity in the manufacturing sector and elsewhere, people are hired, unemployment goes down, more people can buy, so the argument goes. And, lo and behold, thanks to the almost magical power of the consumer's mighty dollar, the so-called "recession" is brought to an end. Almost automatically, in the jargon of the text-books used in schools and universities, the power of selling provokes another business cycle to begin. So, Treasury Secretary Nicholas Brady, the source of the portentous "the recovery is surely on its way," added, "The American people by themselves are going to decide."

This nonsense has reached the point where leadership opinion of both political parties in Washington, D.C. is prepared to assert publicly, as Sen. Robert Dole (R-Kan.) has done, that it may well therefore be better if government did absolutely nothing. The "cycle" will take care of the recession over time. Government action, of whatever sort, will only increase the budget deficit and interfere with the otherwise inexorable workings of the coming recovery. This is about the same degree of absurdity as Brady's "pent-up demand for light-bulbs" thesis of a couple of weeks ago. Though this writer has had to replace seven of the things since Brady's speech, he still thinks the Treasury Secretary is nuts.

Talking up sales didn't help Herbert Hoover in 1932, and 60 years later, in 1992, it won't help George Bush and the band of presidential tennis partners, like Brady, who make up the core of his economic team.

The unemployment fraud

Look behind some of the other news which feeds the "cautious optimism" of Bush's band of racketeers. Unemployment claims, in the latest week reported, fell by 27,000, total new claims remaining in the range of 420,000 plus, per week. That's reason for another "glimmer of hope."

The government's running estimate is that 46% of the unemployed receive benefits, and thus that more than half don't. This does not mean that the 420,000 new claims represent less than half of the newly unemployed in any one week, since some claimants will not receive benefits. It does mean that new job losses, every week, is well in excess of the 420,000 who file unemployment claims. One could surmise that well over 2 million Americans have been losing their job every month over the last period. Over the year ended Dec. 31, some 34 million people were estimated by the government to be in this situation, which is nearly 3 million job losses per month, or 750,000 per week.

Weekly unemployment claim filings in excess of 400,000 per week will translate into an annualized revolving door in the labor force of well over 30 million people, about 25% of the whole. What would the level of sales activity have to be to reduce the size of this horrendous pool and safeguard people's jobs? The level of investment required to do the job could not possibly be generated in anything like the way the "sales-led" recovery people insist.

So, more than one out of every four workers who are presently employed can expect to be out of work, and it will more likely be closer to one in three, at some point in the coming year. What effect does talking up sales of consumer goods have on this?

There is no 'consumer-led' recovery

There are rather more than 90 million households in the United States. Of these, the government admits that more than 20 million do not have any wage-earner, and that more than 40 million are supported by two or more wage-earners. Less than 30 million households are supported by one earner. Less than 20 million of the total households have what is still called "discretionary income," money available after expenditures on necessities to make the purchases of the "big ticket" consumer goods which are supposed to fuel the recovery. Only around 3 million or fewer of these are single-earner households. It is not hard to see that the more than 40 million households with two or more earners, i.e., more than two-thirds of the labor force, are the ones who are being hardest hit, as a class, by layoffs affecting between one of every three or four workers at some point in the year.

This is part of the background to what Bush's team considers to "reasons for cautious optimism." The unemployment question is indeed only part of it. There are 25 million Americans who are now qualified to receive food stamps under the federal government's relief programs, one out of every 10 people. Or, better, since food stamp recipients, whether unemployed or not, are adults, more like in excess of one out of every four households is qualified to receive food stamps. That is, one-quarter of all households are not able to support themselves in terms of minimal necessities. Are increased sales going to change that?

Related to this, one out of every seven children in the country enrolled in the Aid to Families with Dependant Children program, and 13 million people—like food stamp recipients, an all-time high in the existence of the program—are on public welfare. That is, roughly, one out of every eight households.

So, who is supposed to be buying all the goods which will be sold to generate the "recovery" which "cautious optimism" gives reason to conclude is under way? Well, there are the approximately 3 million households with one earner and discretionary income, and there are the less than 17 million households with more than one earner, and discretionary income. Say about 35 million people, out of the 120 million in the labor force (14% of the total population), are the ones who are supposed to be generating the sales activity which will turn everything around. Some of these are going to find themselves out of work, too, and some of them don't work because they don't have to. It's an absurdity, isn't it? It is a profile of national disintegration.

If everything was working the way Brady and Boskin claim, if the "business cycle" operated according to the way the textbooks say, and Bob Dole hopes, their "recovery" would still be something which left out about three-quarters of the labor force, and 85% of the population. It will indeed be different than other recoveries.

Left with a depression

What does all this leave us with? The same thing Herbert Hoover left us with, a depression. It isn't a "recession." It didn't begin sometime last year. It began in the late 1970s when the industrial manufacturing capability of the country was gutted under the high interest rate credit regime of Paul Volcker and the President who appointed him, Jimmy Carter.

Nor will it be turned around by any "consumer-led" recovery of the type Brady, Boskin, and the Federal Reserve insist on. There is no so-called "market," within the United States, to sustain anything of the sort, as long as three-quarters of the labor force and 85% of the population is left out of the perspective. As Brady said, "It's up to the American people to decide." He meant that people would have to decide to open up their pocketbooks and wallets and start spending. But the decisions that have to be made are rather different.

Contrary to Bob Dole and the school textbooks, business cycles aren't self-correcting based on the expansion of sales to consumers. As a matter of fact, business cycles aren't self-correcting under any circumstances, because they don't exist in any fundamental sense.

The problem is the policy, the policy which insists that 30% and more of the population should be condemned to the scrap-heap, and another 30% left with no perspective, other than the dread that they will follow next. This to sustain the tribute exacted in support of the claims of about $25 billion of debt.