Claims of U.S. recovery are a political hoax

by H. Graham Lowry

As the U.S. economic depression continues to deepen, the only noticeable upturn of late has been in the amount of babbling about an emerging recovery. Brought to you by many of the same idiot economists whose policies created the mess, such claims are simply a political hoax, intended to check any inclinations the new Clinton administration might have to undertake any fundamental policy shift.

The latest tea-leaf reader purporting to see prosperity around the corner is economist Robert J. Samuelson, who informed Bill Clinton in a *Washington Post* commentary on Dec. 2 that the economy "is stronger than your campaign rhetoric indicated." Employing the insane logic of the "post-industrial society," Samuelson claimed that waves of bankruptcies and mass layoffs have given U.S companies "the foundation for sustained growth and higher living standards." Thus "Clinton starts with a strong economic base," Samuelson insisted. "Trying to do too much too soon could backfire. Carter was so itchy to create jobs that he torpedoed the economy with high inflation."

Carter, of course, does not deserve full credit for any such accomplishment. Paul A. Volcker, his chairman of the Federal Reserve Board and the London *Financial Times'* nominee for secretary of the treasury in the Clinton administration, jacked up interest rates to 22% and blew out huge chunks of U.S. industrial and agricultural production. There are already mutterings, from some Wall Street circles, that what the country needs is a new regime of tight money and high interest rates.

Publicly, at least, the Clinton team is reserving judgment on the alleged economic upturn. Robert Reich, the head of Clinton's economic transition team, declared in a Cable News Network television interview Oct. 28, "There's very little evidence that jobs are coming back." Reich also noted what hundreds of thousands of Americans know first-hand: "Big companies, even to this day, are announcing layoffs."

Bullish on pink slips

Even the computer and electronics industry, the supposed flagship of the "post-industrial society," is churning out pink slips at an unprecedented rate. Digital Equipment Corp., the nation's second largest computer manufacturer, has cut its work force by almost 30,000 since 1989. Robert B. Palmer, Digital's president and chief executive officer, announced in October that the company might lay off as many as 25,000 more workers over the next two years. During the third quarter of this year, Digital laid off another 4,400 and eliminated 900 more jobs through attrition. Employees told the *New York Times* of Nov. 27 that as many as 8,800 more layoffs would be announced in December. And International Business Machines, the nation's largest computer company, expects to eliminate 40,000 jobs this year alone.

The U.S. aerospace industry, the most crucial concentration of America's modern machine-tool capacity, is virtually going down in flames. On top of massive cutbacks in defense contracts, the industry is reeling from the collapse in commercial orders from the deregulated and increasingly bankrupt airline industry. Pratt and Whitney, one of the leading manufacturers of jet engines, declared six weeks ago that it would eliminate 4,800 jobs—more than 10% of its work force.

General Dynamics soon followed with the announcement that it was laying off 1,680 employees during November and December—40% of the work force producing aircraft fuselages at its Convair Division. In late November, Boeing announced that it would eliminate another 2,500 jobs next year. Hughes Aircraft announced earlier that it planned to lay off 16,000 workers. McDonnell Douglas, which has laid off 17,000 workers in the last two years at its commercial aircraft division in Long Beach, California, recently announced further production cutbacks for next year.

Waves of already-announced mass layoffs will begin hitting as soon as Bill Clinton takes office, and no sector of the economy will be spared—not even the "magical" marketplace, where employment levels in banking, insurance, and financial services are collapsing rapidly. A dozen major corporations in the last six weeks have announced layoffs in the four-figure range, including a total of 15,000 by just three companies: American Express, Borden, and Bristol-Meyer Squibb. When you add the devastating cutbacks announced by the auto industry, the evidence is more than sufficient to define a national economic emergency. General Motors plans to lay off 23,000 workers in Michigan alone, and nearly 12,000 of those are scheduled for January.

The books won't balance

Another hoax widely peddled by supposed economic policymakers is that the economy will improve if deep cuts are made in the government deficit. After three years of juggling with ballooning budget deficits, California has become the nation's leading demonstration that this economy's books can't be balanced under prevailing policies.

State Controller Gray Davis and Treasurer Kathleen Brown announced in late November that the declining rate of revenue collections could leave the state flat broke as early as April. "There is a distinct possibility that we'll run out of cash before April 15," Davis told the *San Francisco Examiner* of Nov. 20. "We'd need to borrow money to tide us over until our tax receipts normally arrive."

But there is no evidence that anything "normal" will happen in depression-wracked California. The threat of running out of cash next spring is underscored by the fact that California already has 120,000 fewer jobs than were envisioned when the current budget was adopted Sept. 2. During the last two years, the state has lost over 800,000 jobs, and currently has more than 1.5 million officially unemployed. Legislative analyst Elizabeth Hill estimated Nov. 19 that California's tax revenues will fall $5 billion short of the level expected through June 1994.

Deficit projections continue to shoot toward the stratosphere. Already staring at nearly a $3 billion shortfall for the current year, the state now projects another $7.5 billion deficit for fiscal 1993-94. Coming on top of a $25 billion deficit for the previous two years, the latest forecasts bring the four-year total to over $35 billion! The entire budget for this year is less than $41 billion. Merely on the basis of past performance, an additional $10-15 billion shortfall is likely to appear by June 1994. When Gov. Pete Wilson took office in 1991, for example, he estimated that year's deficit at $7 billion. Within months, the shortfall more than doubled to $14.3 billion.

The ongoing orgy of budget cuts, intended to cover the deficit, has only accelerated the collapse of California's revenue base. A recent private forecast, for example, projected the elimination of 37,000 public employees by next June, as a result of spending cuts adopted in September. Two months ago, a state commission estimated that cuts in federal defense spending, which cost California 180,000 jobs the last two years, will force another 60,000 aerospace layoffs by 1994. Outright shutdowns and cutbacks at U.S. military bases in the state are expected to eliminate 21,000 civilian jobs as well.

The NAFTA menace

If the next administration is to do anything to reverse this imminent and massive surge in unemployment, it must also discard another hoax—one that Bill Clinton currently embraces. That is the North American Free Trade Agreement, the feverish project of the Bush administration to open up Mexico for the exploitation of Mexican and American workers alike at slave-labor wages. Despite the official claims that NAFTA will bring a bonanza in new jobs, even Lynn Martin, Bush's secretary of labor, conceded in a Senate hearing this fall that NAFTA might eliminate 150,000 U.S. jobs over 10 years.

The AFL-CIO puts the figure at 500,000; and there is abundant evidence that the actual number would run into the millions, as U.S. companies accelerate their relocation to Mexico to take unrestricted advantage of cheap labor. According to a study commissioned by Rep. Marcy Kaptur (D-Ohio), such plant relocations have already cost the state of Ohio alone as many as 43,700 jobs. One automotive parts plant, formerly based in Toledo and paying unionized workers an average of $13 an hour, now pays Mexicans in Matamoros just $2.50.

Clinton is already under fire from large sections of the United Auto Workers for recommending union "givebacks" as a way to keep plants open. His continuing support for NAFTA gives the lie to his claims that he intends to launch a major jobs program. At last month's convention of the International Electronics Workers, union president William Bywater called on Clinton to scrap NAFTA, calling the proposed treaty the single greatest threat to what remains of the U.S. electronics industry.

"It's bye-bye to our jobs if we buy this crap," Bywater declared at the meeting. "The vast majority of Mexican workers will see few, if any, benefits from this agreement," he added, noting that Mexican workers are currently paid "starvation wages" of 60¢ to $1 an hour.

If not scrapped, NAFTA must be renegotiated, the IEWU says. It calls on Clinton to insist on a Mexican minimum wage of $4.25 an hour, the same as the current one in the United States. The union believes that would discourage U.S. manufacturers from relocating south of the border, and further the treaty's alleged goal of enabling Mexican consumers to buy more U.S. goods.