# America's economic recovery is a myth

by Richard Freeman

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How many of you know what separates a Dow at the 20,000 level and a Dow at zero level? Probably one hour. Because this market is going so high, and there's nothing underneath it. It's like a person who believes that by pulling himself up by his heels, he can fly. And, it will come down.

Now, while the Dow has just hit 11,000, increasing 1,000 points in 24 trading days—which is the fastest rate of metastasis yet—back at the time that the Dow had originally hit 10,000, in late March, the machine-tool builders' association, which is known as the American Association for Manufacturing Technology, announced that for February, machine-tool consumption in the United States had fallen 51% between February of this year and February of last year.

Now, that's a rate you would associate with Russia; that's a rate you would associate with Africa. I'm talking about the United States, which is supposedly in the ninth year of an economic expansion. Quite an interesting "expansion," if that's what's going on.

I'd like to focus on three things. First, to take apart this myth—and it's a very dangerous myth—this fraud that the United States is in its ninth year of recovery. In fact, since the post-industrial society policy was instituted in 1967, and consummated when the dollar was taken off the gold standard, shattering the fixed-exchange-rate system in August 1971, we have been in a 32-year contraction, not a nine-year expansion. And that is documented.

Second, for those people who claim to be concerned about human rights around the world—like Madeleine Albright, who doesn't seem to have been terribly concerned about the destruction in Russia, hasn't lifted a finger about what happened in Rwanda, and so forth—we should look at the violation of economic human rights in the United States, to the point that the poorest, the elderly and so forth, are at the point of extinction.

Mr. LaRouche has issued "Your Economic I.Q. Test" (*EIR,* May 14)—and I would urge everyone who doesn't have *EIR,* to subscribe on your way out, because this is the way that you'll be able to get what Mr. LaRouche writes from week to week, and also what is happening to the real economy. He states that "during the coming six months, more U.S. citizens, especially the poor and the elderly, will die of the worsening economic sicknesses caused by current Federal Reserve Chairman Alan Greenspan and related *Wall Street Journal* policies than of illnesses such as heart disease and cancer." Now, those are the two largest takers of life in the United States, with a combined fatality rate of more than a million a year.

And, he's saying that in the next six months, if present policies—which gave rise to the Balkan war, this insane desire after the August through October 1998 shakeup of the world financial system to preserve that system rather than reorganize it along the lines that Helga Zepp-LaRouche spoke about [see *Feature,* this issue]; if that policy is now intensified, you will have more deaths in the United States among elderly and poor from those causes than from cancer and heart disease.

And third, I want to locate this within the world picture, because the strange feature about globalization—which Helga correctly said, is just another name for feudalism—is the fact that there's a tremendous amount of non-reality. Someone was saying that in Brazil, the unemployment rate in São Paulo is 19.9%; the most industrialized city in Ibero-America.

And someone says, "Well, Brazil has recovered." Why? Because they floated a bond? They had to float some bonds or they would have no money coming into the country. That doesn't prove anything. But what you get is, "Oh, yes, Africa's recovered, because we opened up a stock market in Djibouti," and "Asia's obviously recovered, because we just floated $5 billion worth of derivatives there."

## The measure of economy

The *measure* for what people judge as to why countries have recovered, has nothing to do with whether those countries will survive. In fact, they're going in the opposite direction. In fact, the world is on the brink of the worst economic disintegration, physically, that it has ever been in.

I'd like to start with the thinking of Lyndon LaRouche on this question, which is his Triple Curve, or "Typical Collapse Function" (**Figure 1**).

There are three curves, but *they are not three curves: It's an interaction that is one function*. You cannot separate out any of the three curves. It would be like separating out any of the eight notes of the scale and saying, "This is a note." You have to have the geometry of the entirety.

The topmost curve represents financial aggregates. That's the financial bubble. Just to give you an example, in the United States, the capitalization, or valuation of all stocks is more than $16 trillion. The latest figures that we have worked up for the value of derivatives, which are just bets, is $55 trillion. That's the upper curve.

Now, to keep that curve from both collapsing in on itself and also to finance new levels of leveraged speculation, the second curve, the monetary aggregates, which is basically the money supply, is increased, not at the same rate as the top curve, but increased to simply provide support for the top curve.

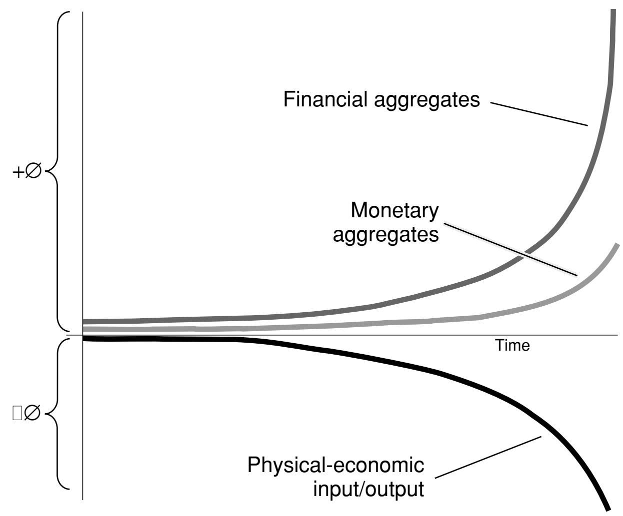
The Long Term Capital Management failure on Sept. 23 of last year was followed by three interest rate cuts by the Federal Reserve. It was also followed by absolutely extraordinary testimony by the head of the New York Federal Reserve, William McDonough. He testified on Oct. 1, 1998 before the House banking Committee, which is very concerned about this, and he said that had they not ponied up $3.8 billion of private money to save LTCM, banking settlements would have shut down for a day, or perhaps longer. That is bankers-speak for saying that the financial system would have gridlocked and melted down.

Greenspan has been absolutely committed to propping up the topmost curve. He has been simply pumping money into the economy at a tremendous rate, in imitation of the path that was taken in 1921-23 with the Weimar Germany hyperinflation.

The interaction of the top two curves, and the demands that they make in terms of financial claims on the bottom curve, which is the physical-economic—that's the input-output relationships of the real economy, upon which human life depends, every person in this room, every person on this globe: They depend on the third curve.

The more that the cancer grows at the top, the more it sucks the life out of the third curve. It is that third curve that we're going to look at.

FIGURE 1
**A typical collapse function**




One way that you can think of the Dow Jones: Think of the *Titanic,* and the people in the stern of the boat as it goes under. That's the real economy. If you have ever watched a boat go under, the bow goes up. That's the Dow Jones. But you soon realize where the Dow Jones must go, if the stern goes under.

To situate this, look at **Figure 2.** It shows the deaths that are occurring around the world *at this very moment*—while people are being absolutely silly and insane about the Dow Jones. For example, 30 million people dying in Sub-Saharan Africa, as a result of British support for Ugandan dictator Yoweri Museveni, but also because of malnutrition, disease, and so forth.

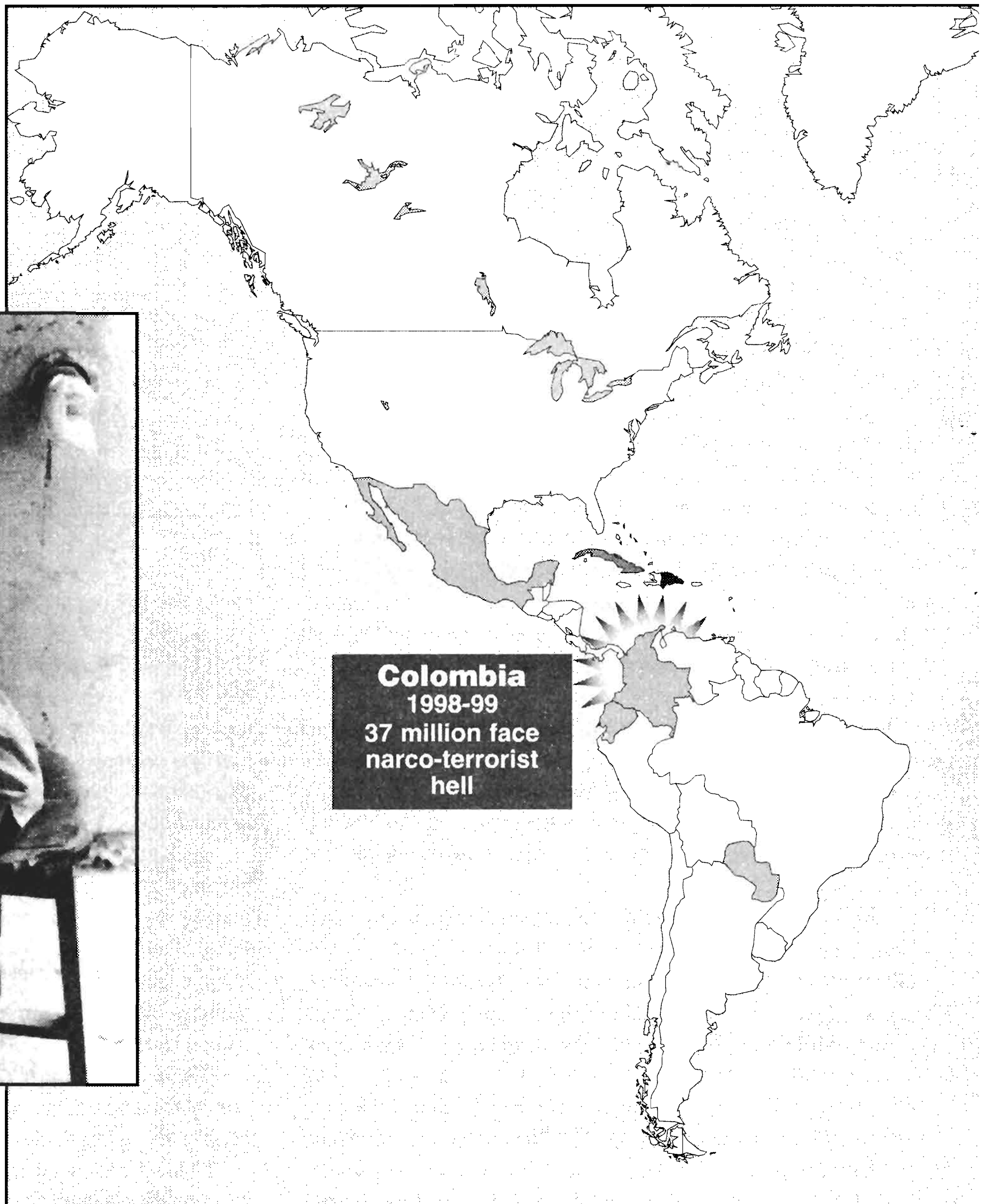
There are 31 countries in which there is negative population growth; that is, there are more deaths occurring than people being born. That gives you one idea.

**Figure 3** shows you the death rates of children under five in countries around the world. In 53 countries, more than 2% of the children under five die every year. Sierra Leone leads the list, with 84 out of every 1,000 children, or 8.4% of the children under five, dying every year. *That is 67 times the rate in the United States and Germany*.

The reasons they die are shown in **Figure 4.** Acute respiratory infections claim 19%. There are 12 million children under five who die every year, most of them in Africa and Asia—95% preventable. Diarrhea is responsible for 19%. That's 2 million deaths each, to diarrhea and acute respiratory infections.

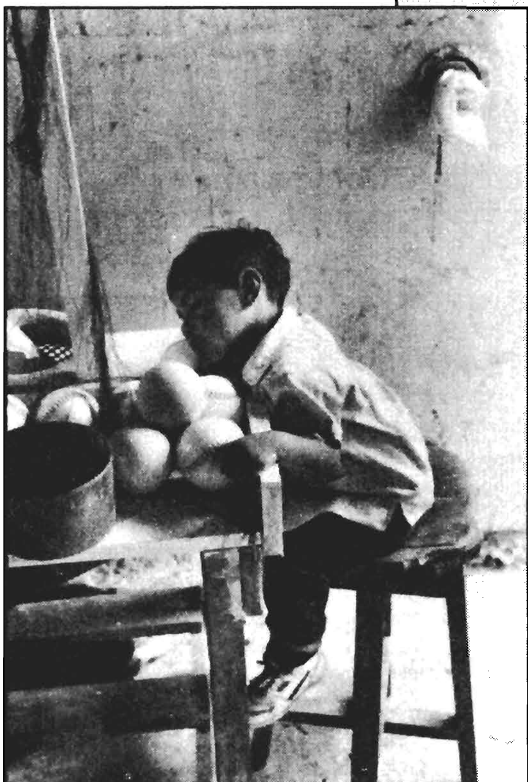
There is a tablet which can stop diarrhea in its initial stage. If you have clean water and sanitation, and medical and other infrastructure, no one need die from diarrhea. Also, measles

FIGURE 2
## Depopulation and atrocities worldwide, 1990s

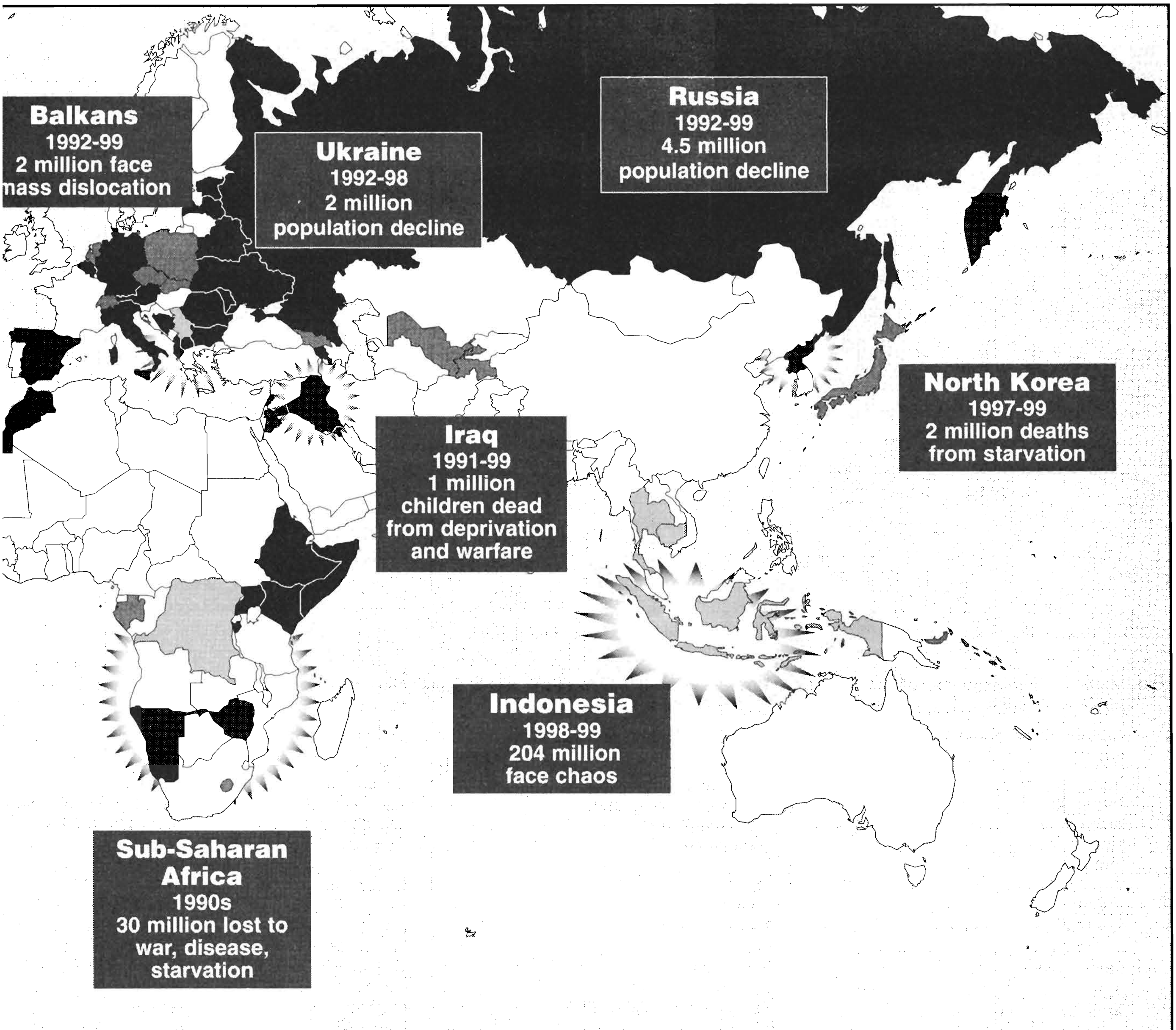



**1. Nations with negative population growth, 1998**

| Africa | Europe | | Mideast/Asia | Ibero-America |
|---|---|---|---|---|
| Burundi | Albania | Italy | Iraq | Dominican Repubic |
| Ethiopia | Armenia | Latvia | Jordan | Trinidad and Tobago |
| Kenya | Austria | Lithuania | Kuwait | |
| Morocco | Belgium | Macedonia | Lebanon | |
| Namibia | Bosnia-Hercegovina | Spain | | |
| Somalia | Bulgaria | Romania | North Korea | |
| Uganda | Estonia | Russia | | |
| Zimbabwe | Germany | Ukraine | | |



*Child labor in Honduras. The destruction of a nation's future.*




**2. Nations with zero population growth, 1998**

| Africa | Europe | Asia | Ibero-America |
|---|---|---|---|
| Gabon | Czech Republic | Japan | Cuba |
| Lesotho | Georgia | Tajikistan | |
| | Netherlands | Uzbekistan | |
| | Poland | Melanesia | |
| | Slovakia | New Caledonia | |

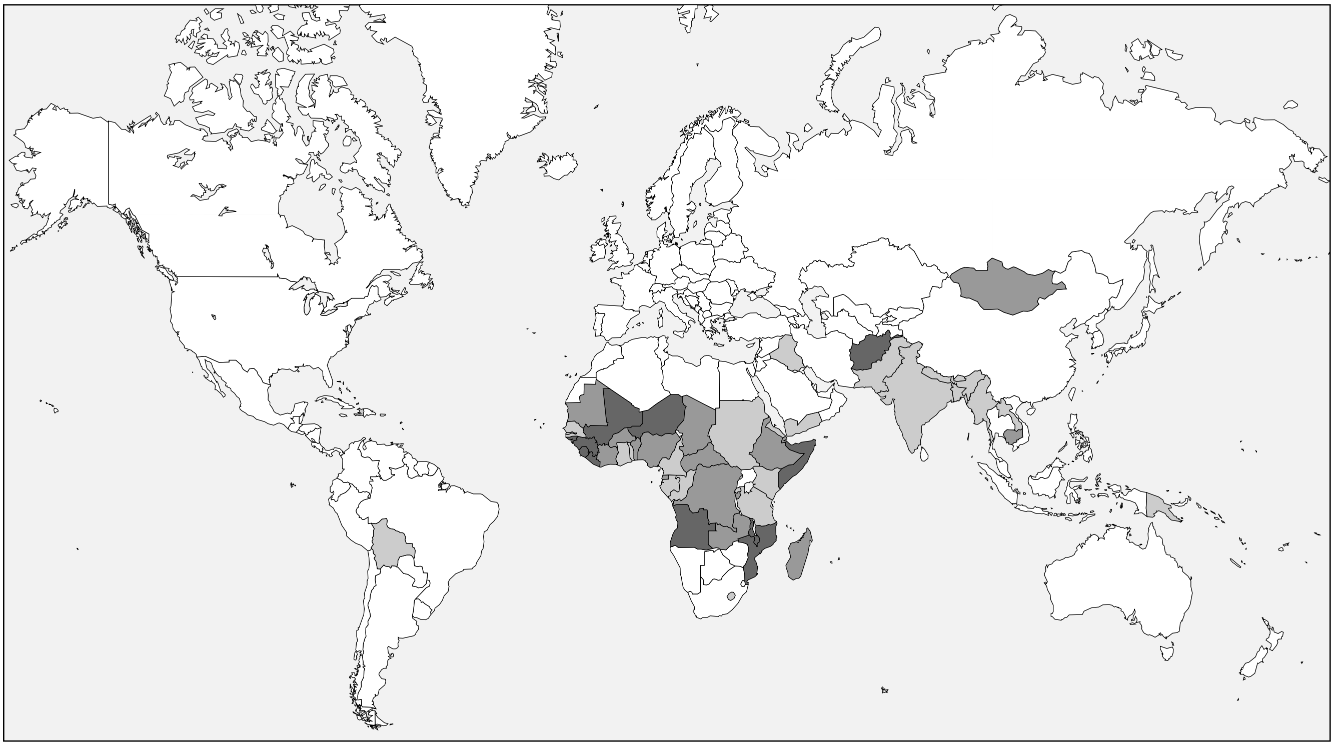
**3. Selected nations, where conditions build for depopulation**

| Africa | Europe | Asia | Ibero-America |
|---|---|---|---|
| Rep. of Congo | Yugoslavia | Indonesia | Colombia |
| | | Thailand | Ecuador |
| | | Cambodia | Mexico |
| | | | Paraguay |

*Source: UNFPA, 1998 vs. 1997 reports, and U.S. Census Bureau, 1998 vs. 1997 reports, as compared by Paul Gallagher, "Shocking U.N. Report Shows African Holocaust; Implosion of Population Growth Rate Continues through 1998,"* 21st Century Science & Technology, *Winter 1998-99, pp. 19-22.*

FIGURE 3

**High death rate of children, 1997**



Nations where more than 5% of children die before the age of 5

Country / Deaths per 1,000

**Africa**
Sierra Leone 84
Niger 80
Angola 72
Liberia 72
Mali 59
Guinea-Bissau 55
Malawi 55
Somalia 54
Guinea 50
Mozambique 50

**Asia**
Afghanistan 76

Nations where 3.5-4.9% of children die before the age of 5

Country / Deaths per 1,000

**Africa**
Chad 48
Democratic Republic of the Congo 48
Zambia 48
Ethiopia 44
Mauritania 44
Nigeria 44
Rwanda 44
Burundi 42
Equatorial Guinea 42
Burkina Faso 41
Central African Republic 40
Djibouti 40
Benin 38
Madagascar 37
Cote D'Ivoire 35

**Asia**
Cambodia 38
Mongolia 35

Nations where 2.0-3.4% of children die before the age of 5

Country / Deaths per 1,000

**Africa**
Gabon 34
Tanzania 33
Lesotho 30
Senegal 30
Togo 29
Bhutan 28
Eritrea 27
Sudan 27
Congo 26
Ghana 25
Cameroon 23
Gambia 21
Kenya 21

**Asia**
Pakistan 31
People's Democratic Republic of Laos 30
Iraq 29
Bangladesh 26
Myanmar 25
Papua New Guinea 25
India 24
Nepal 24
Yemen 24
Maldives 21

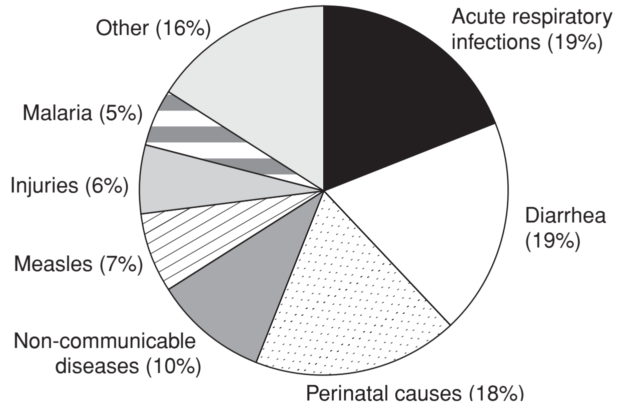
**Ibero-America**
Haiti 30
Bolivia 21

Source: UNICEF report, "State of the World's Children," 1999.

and other dieases: *No one should be dying from these diseases at this time*. These deaths are the result of an enforced policy of backwardness imposed by the British-American-Commonwealth clique, of which the International Monetary Fund is one of its arms.

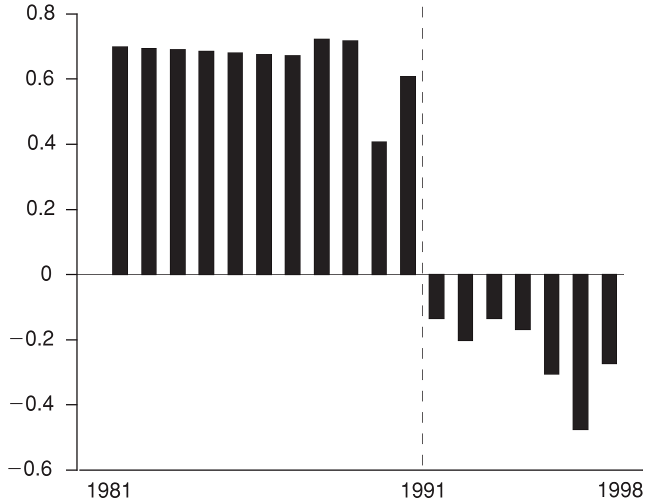
In Russia, you can see when the IMF came in. Is there anyone who could guess the year the IMF came in, just by looking at **Figure 5,** if they didn't know anything about

FIGURE 4
**Cause of death of children under 5**




Source: Adapted from *Global Burden of Disease,* published by World Health Organization, Harvard University School of Public Health, and the World Bank, 1996.

FIGURE 5
**Russian Federation: rate of population increase/decrease**
(percent per annum)

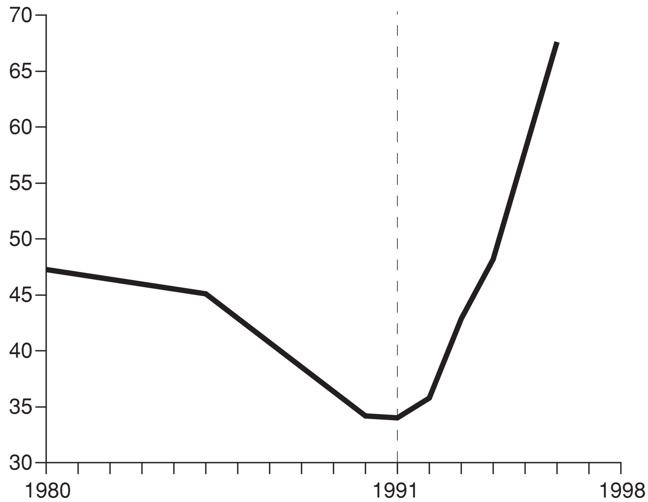



Russia? It's the point at which the deaths start exceeding births. And 4.5 million people have died in Russia since the institution of the "successful" IMF reform package.

**Figure 6** is the rate of tuberculosis in Russia. That disease is a marker for breakdown, for poverty, and for other diseases, because often other diseases piggyback onto TB; for example, AIDS. And you see again the point at which the IMF package and the Margaret Thatcher and George Bush policy goes into effect. And TB is now taking off, and there are many drug-resistant TB strains.

Also, Indonesia. **Figure 7** shows the "poor," compared to the entire population. By 1997, Indonesia, with a population of more than 200 million, reduced the number of people below the poverty level to 22 million, or 11.3% of its population. George Soros, a speculator, goes in, the world financial disintegration hits Asia, and literally, by July 1998, some 96 million people, 48% of the population, are suddenly below the poverty level. The number of "poor" quadrupled, and 30 years of Indonesian economic development was obliterated.

FIGURE 6
**Russian Federation: tuberculosis cases**
(per 100,000 population)




## The crisis in the United States

That's the setting. I'd like to now situate the United States. The statement that Lyndon LaRouche has made, is that we are in an economic contraction. The statement that the *Wall Street Journal* has made; the statement that, unfortunately, the White House has made, and it has; the statement that *Forbes* magazine, and everybody else has said, is that we're in a boom.

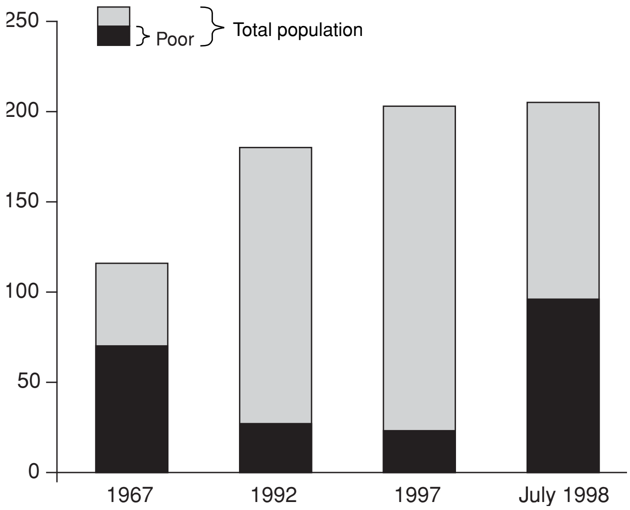
I'm going to try to show you who is right. I want to identify one psychological element here, and this is what Mr. LaRouche has identified as "My money."

What's the danger? And, why does the stock market actually account, in part, as an element within the population, for the insanity that allowed the war in Kosovo to take place? Can that be possible? Absolutely. Because people are sitting at home, and every third month or so, they're waiting for their mutual fund check. And they not only want the mutual fund

FIGURE 7

**Indonesia: population below the poverty line**

(millions)

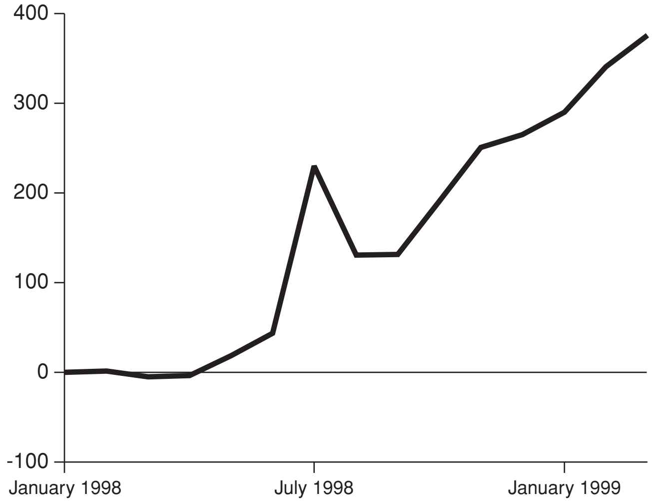



Sources: Republic of Indonesia, National Development Information Office; International Labor Organization.

FIGURE 8

**U.S. manufacturing has lost 376,000 jobs in 15 months**

(thousands of jobs lost)




Source: Bureau of Labor Statistics, U.S. Department of Labor.

check, but they have built an entire fantasy world around what they're going to do with the money. And they've constructed a nice little wall and world, and they've closed out the rest of the world from that little internal fantasy.

And one of the problems—and I'm going to say this to the Americans in the audience, but I'm sure that there are many people here from other countries who can identify this within their own population, so if it sounds appropriate please take the advice. But many Americans do not want to hear what Mr. LaRouche says, not because he is not correct, but because he *is* correct. And, if they were to admit that in three months their little mutual fund check—many get very small checks—was not coming in, their fantasy would shatter. And they don't want to hear it. Or as a member of "Generation X" says, "Don't go there." *"My money."*

And when you have a population that thinks in those terms, unfortunately, you can run wars where they will not even question why the war is being carried out in the first place, let alone asking what will be the strategic consequences.

Now, we're going to take some slices of the United States. **Figure 8** shows the loss of manufacturing jobs. We have lost 376,000 manufacturing jobs in 15 months in the United States. That's bigger than the manufacturing, or labor force of many countries.

I want to cite five sectors of the economy, and I'm going to ask you: If these sectors are falling by the levels which we're talking about, how could Gross Domestic Product, or any other so-called official economic statistic, be correct?

The first one is machine tools (**Figure 9**). Just to situate this: If you have a creative conception, and you want to bring it into the general society, you impress it into a new design. You incorporate that design into your machine, which then produces other machines having that new, advanced conception. And by that method, you generalize it into the entire economy. And, machine-tool consumption, critical to this process of innovation and increasing productivity, is down 51%.

**Figure 10** shows farm equipment shipments for March 1998 to March 1999. Two-wheel-drive tractors of greater than 100 horsepower are the standard tractors in Europe and the United States, and this is down 37.5%. Sales of four-wheel-drive tractors, with the four equal, big-sized tires, are down 45%. Combines and harvesters are down 49%. And again, we're not talking a 3-4% drop. *This is a faster drop than that experienced by almost any country in the world*. Name another country where production is falling *at these rates*.

America—the companies, Deere, Harvester, Case, and so forth—produces one-third of the world's farm equipment. And, of that, we export one-quarter of what we produce. So, this has implications for every place around the world.

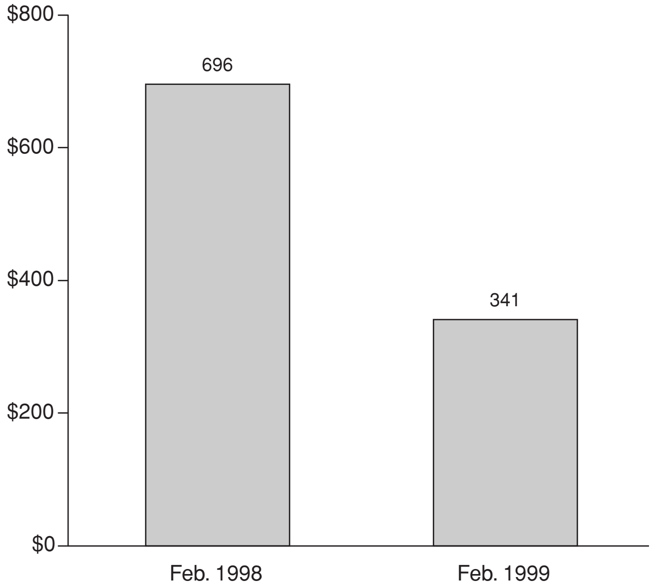
**Figure 11** compares raw steel production for March 1998 to March 1999, with tonnage amounts of 8.81 million and 7.95 million net tons, respectively. Steel production fell 9.8%—which, ironically, seems like a small drop compared to everything we've seen so far.

But this drop cannot be accounted for by imports, because import levels in March of last year compared to March of this

FIGURE 9

**U.S. machine tool consumption collapses 51%, February 1998 vs. February 1999**

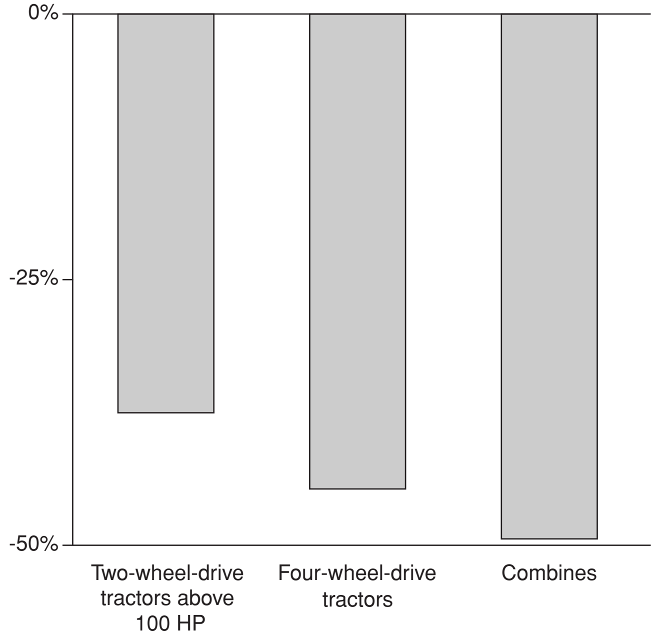
(millions $)




Source: Association for Manufacturing Technology; American Machine Tool Distributors Association; *EIR.*

FIGURE 10

**Fall in farm equipment shipments, March 1998 vs. March 1999**




year, were basically the same. This is a collapse.

**Figure 12** is aerospace. Last year, Boeing announced it was laying off 48,000 workers, or 20% of its workforce. Between 1990 and 1995, we lost 500,000 aerospace workers. Employment bounced back up a little, but then we have the Boeing layoffs.

The fifth sector is oil and gas (**Figure 13**). In November 1997, the entire United States had more than 1,000 rigs in operation. In April of this year, we had 503, a 50% drop. There have been about 50,000 layoffs in the oil patches of Texas, Oklahoma, and elsewhere, where there is also tuberculosis in the poor residential areas around El Paso, and there are also very high levels of poverty. Start to figure out what's going to happen.

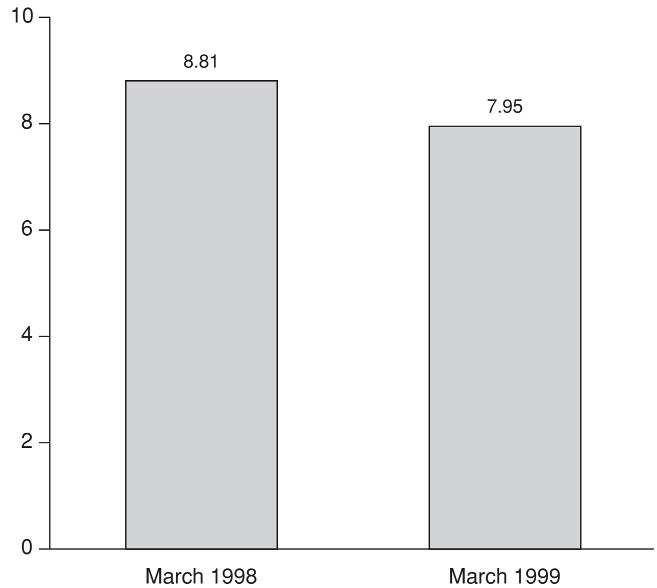
Now, look at a real economy, a physical economy, which takes the fact that it is the creative human mind, which through solutions to paradoxes, invents new ideas, and puts them into effect in the economy through capital-intensive, energy-intensive development, which enables mankind to lift itself up and develop. Think of what happens if you knock out production of machine tools, steel, farm equipment, oil and gas drilling equipment, and aerospace.

So, you ask, "Well, what's going up in America?" You have heard that, in the fourth quarter of last year, America's

FIGURE 11

**U.S. raw steel production, March 1998 vs. March 1999**

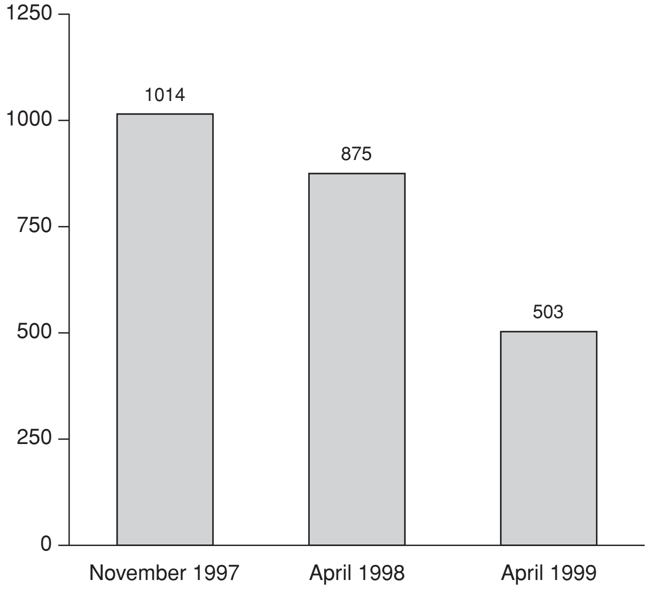
(millions of short tons)




Source: American Iron and Steel Institute.

FIGURE 12
**Aerospace industry employment**
(thousands of workers)


FIGURE 13
**Oil rigs in operation in the United States**




Source: Baker Hughes.

FIGURE 14
**U.S. machine tool production**
(billions 1982 constant $)


Source: Association of Manufacturing Technology, *The Economic Handbook of the Machine Tool Industry*, various years; various sources; *EIR.*

GDP went up 3.9%. We'll explore GDP in a second, but I think you can start to see the pattern: Despite the fake GDP claim, indispensably critical sectors fell by substantial rates.

This did not just develop in the last 12 months, however. This involves a longer process. This process of collapse began back in 1971, when the fixed-exchange-rate system was shattered, and it was intensified when, in October 1979, Federal Reserve Board Chairman Paul Volcker, instituting a policy called "controlled disintegration," took interest rates upward, so that by February 1980, they were up to 20.5%. And, the real economy buckled.

**Figure 14** shows machine-tool production, in constant 1982 dollars. The collapse—there was about an 18-month delay from when Volcker raised the interest rates. At that point, we permanently lost one-third of all our machine-tool capacity in the American Midwest. Gone. Never returned.

So, this collapse has been occurring, not just in the last year. Last year's figures are dramatic, but this has been a longer-term process.

I want you to get a sense of what is really happening in the sinews of the American economy, not the stock market. **Figure 15** shows shipments of four-wheel-drive tractors and combines. Just take combines. We used to produce about 28-29,000; we're now below 10,000. That's a permanent shift. We're producing one-third of what we used to.

**Figure 16** shows railroad mileage, per household. It is going straight down. And rail is the most efficient method for transporting freight, and also people. If we were to construct magnetically levitated trains, we would have the most efficient method for rapidly moving freight and people. But instead, in America, rail mileage is continuing to fall.

**Figure 17** shows the amount of energy consumed by in-

FIGURE 15

**Shipments of four-wheel-drive tractors and combines, 1980 to 1997**

(number of units shipped)

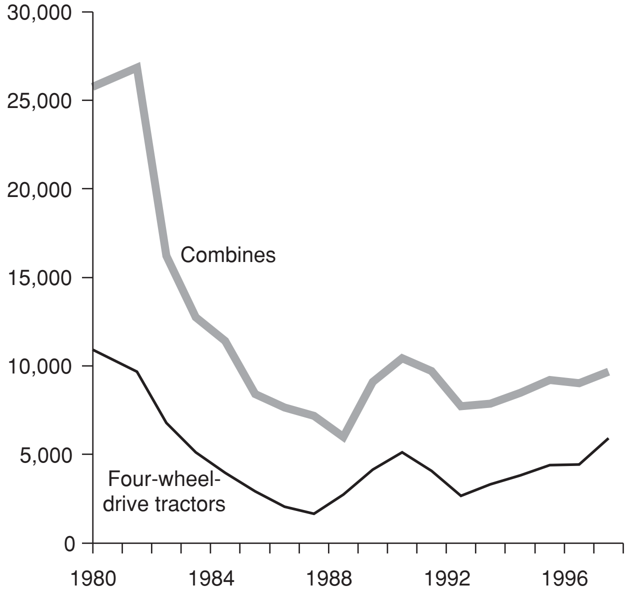
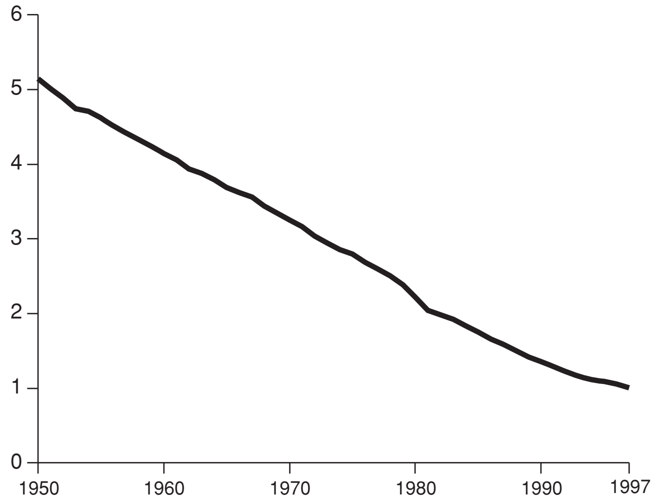



FIGURE 16

**Railroad mileage**

(miles per 1,000 households)




Sources: Association of American Railroads; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

FIGURE 17

**Industrial energy consumption per household**

(millions of BTUs)


Sources: U.S. Department of Energy, *Monthly Energy Review*; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

dustry, per household. Now, yes, there have been some energy efficiencies, and one can argue that some places know how to save energy. I'm not going to dispute that, up to a point. But this collapse goes far beyond that: The real reason is that we're not running as many factories. When you don't run as many factories, you use less energy.

And again, you can see the tendency from 1973. This did not start yesterday.

**Figure 18:** I think you start to get the real picture of the U.S. economy, which has nothing to do with what you read in *Forbes* magazine, or the *Wall Street Journal,* or any of those other idiotic publications. This is the real economy.

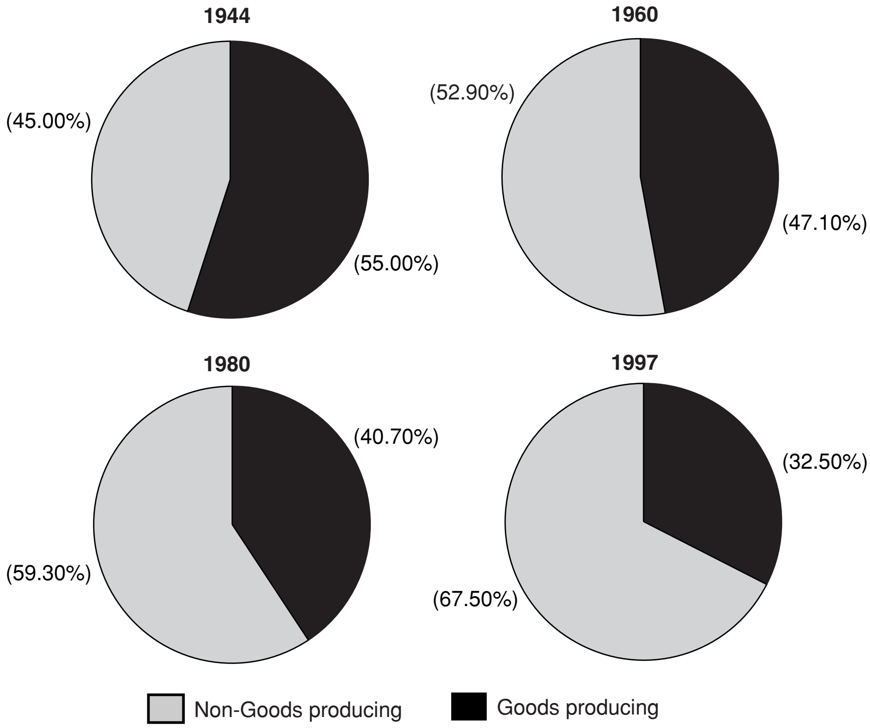
Why are they able to get away with this "recovery" myth?

There are two reasons. The one I identified, which is people's fascination and misidentification with financial numbers, as if they were the real economy, which they're not. They're totally separate. In fact, as you saw from the Triple Curve (Figure 1), it is the financial aggregates which are antagonistic to, and sucking the lifeblood from the real economy.

The second reason is GDP: It's a fraudulent conception. I don't know if any of you used to have these Joe Palooka punching bags; you hit it as hard as you could, and it would hit the floor and bounce back up. GDP was constructed so that it could almost never fall. I think that, short of a nuclear war, American GDP will almost never fall.

Now, why is that? Why is GDP always rising? One thing to look at is the *composition* of GDP. And once you understand that, you'll understand why GDP tends to rise. *It rises because it's measuring the transformation of America into a*

FIGURE 18
**GDP becomes less productive**




Source: U.S. Department of Commerce, Bureau of Economic Analysis.

*post-industrial society; it rises because it's measuring the cancer*.

The portion of GDP that is made up of goods production—manufacturing, construction, mining, transportation, the physical side that produces goods, that alters nature—has declined. And the non-goods-producing portion, which includes finances, has risen.

Compare 1944 to 1960, to 1980, and to 1997. We are now in a state where the non-goods portion of GDP is 67.5%. It's two-thirds of GDP. So, every time real estate prices go up, increasing realtors' income, every time a stockbroker collects a commission, every time a derivatives trader makes new revenues, that increases GDP—even though such activity is killing the economy. GDP grows when the financial parasite grows. So, the numbers are a fraud.

Let us shift our focus to what this means for the population. And I'd like to pose two questions: What has happened to our labor force, which also means what has happened to our standard of living? And what's happening to the poorest, to the elderly? I will verify that *what Mr. LaRouche has said is absolutely correct, which could not occur if we were in an economic boom*. We will see more deaths from economic policies than from cancer and heart disease combined.

**Figure 19** shows the U.S. labor force. The darker portion is the productive—again, that which alters and changes nature: manufacturing, construction, infrastructure. And we have included certain scientists and engineers, active doctors, active teachers, so that we actually had those people we call "useful" in infrastructure. Everything else, is neither productive nor useful. And we call that "non-productive," or overhead.

Look at the employment profile from 1970. The darker portion representing productive jobs has basically remained the same. But, the total has increased from slightly more than 80 million employed, to 140 million. America added 60 million jobs. This is the "great jobs machine." *Practically none of them are productive!* The jobs created are flipping hamburgers at McDonald's. Or, as one person says, "We've created 10 more jobs," and the other says, "I know. I have three of them."

I want to give you a sense of this, and I hope you'll see why people are working two and three jobs to get the equivalent standard of living to what they used to have when they worked one job. I think the most fruitful way to do this is to compare manufacturing jobs and retail jobs. Retail jobs are the people at McDonald's, or the people selling goods in the store. You need a certain number of retail workers, but you hardly need the level that we have at this point.

**Figure 20** shows that the number of manufacturing jobs peaked at around 1980, and has since remained the same. But, look what happened with retail jobs. Back in 1953, there were two and a half manufacturing jobs for every retail job. In today's society, there are more retail jobs, more people simply serving hamburgers, or whatever, than all those people who produce real wealth. Completely changed.

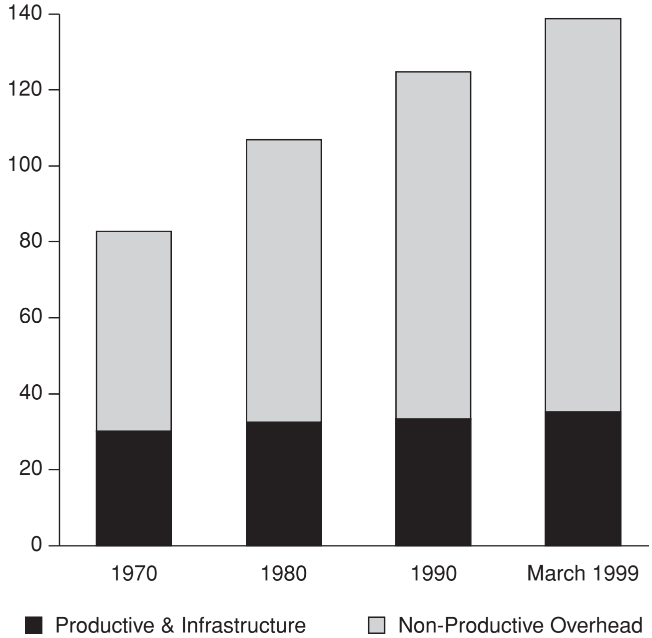
I want to show you what this has to do with living standards. **Figure 21** shows the wages, on an annualized basis, of manufacturing and retail. Up to 1971, there was a discrepancy in wage levels, but the discrepancy was not that large, and the pay scales sort of moved in parallel. After 1971, manufacturing did not really rise that much, but retail jobs, which now were proliferating as part of the post-industrial society, started having almost no wage increases whatsoever. Since 1971, the gap between the two grew considerably. And I'm going to use that gap to make a point about how many jobs you have to have.

**Figure 22** shows how many retail jobs you need to earn the equivalent earnings of one manufacturing job. In an earlier

FIGURE 19

**U.S. labor force, 1970-99; non-productive overhead grows**

(millions of workers)

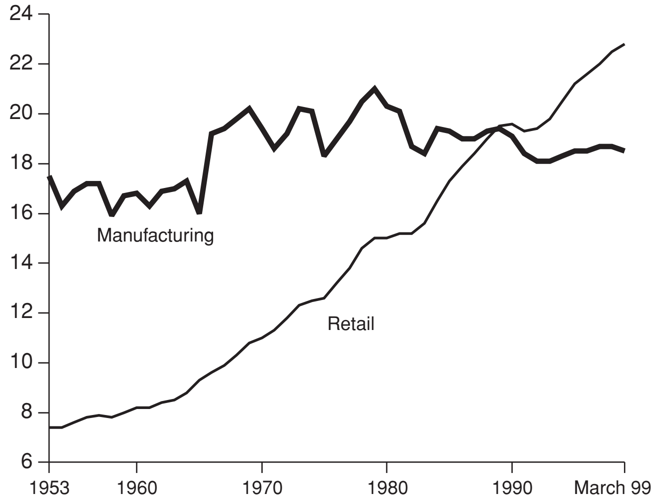



Sources: Bureau of Labor Statistics, Department of Labor; U.S. Department of Education; American Medical Association.

FIGURE 20

**Retail employment vs. manufacturing employment**

(millions of jobs)

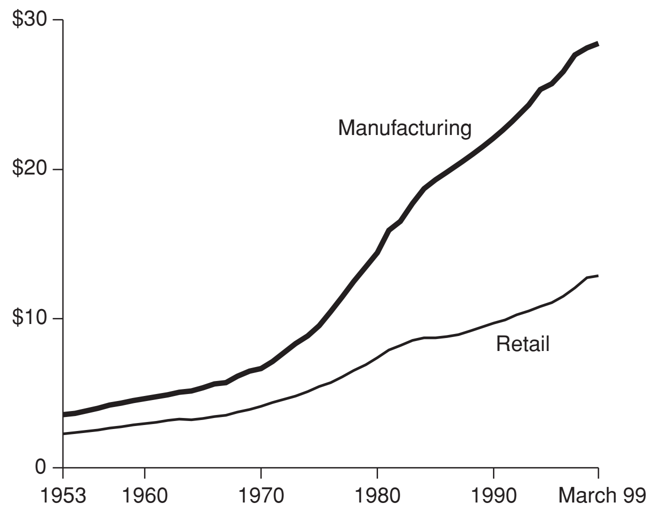



Sources: Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings,* various years; *Handbook of Labor Statistics.*

FIGURE 21

**Annual wages: manufacturing vs. retail**

(thousands $)




Sources: Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings,* various years; *Handbook of Labor Statistics.*

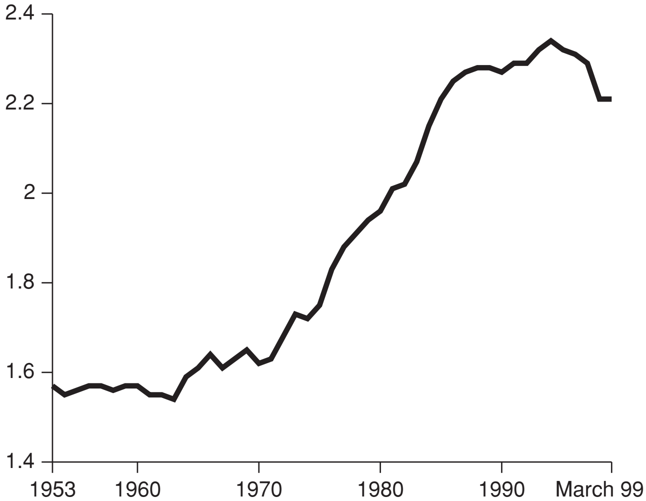
period, a household could be provided for with one worker's income; maybe someone else in the household worked because they wanted to. Or, they could choose not to work. That's not the case today. You can talk about the "freedom of women" all you want, but most are not working for $7 an hour in Wal-Mart because they are "liberated." That's not what's happening.

In an earlier period, you needed roughly one and a half retail jobs to earn the income of a manufacturing job. Now, you need 2.2 retail jobs. So, you've got to hold down two retail jobs in your family, and you still won't even earn what a single manufacturing worker used to earn.

Go back to Figure 20 to see what this means for our economy, because the number of manufacturing jobs stagnated, and then fell. The only job you could go into was retail. And, because manufacturing wages have been falling—they've risen in nominal terms, but the purchasing power has fallen sharply—you actually need three, or maybe four retail jobs to earn what one manufacturing job used to provide as an income in the 1950s, to keep your family going. That's the great American job machine. *It's a complete fraud, a total fraud.*

**Figure 23** shows the number of paychecks required to pay off household debt. We wanted to eliminate inflation entirely. We said, "Okay, if living standards were rising in America, your paycheck should buy more." So, we took the amount of an average paycheck—not retail or manufacturing, but just the average—and we took household debt, and we compared

FIGURE 22
**Number of retail jobs needed to equal the annual earnings of one manufacturing job**




Sources: Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings*, various years; *Handbook of Labor Statistics.*

FIGURE 23
**Number of paychecks required to pay off household debt**

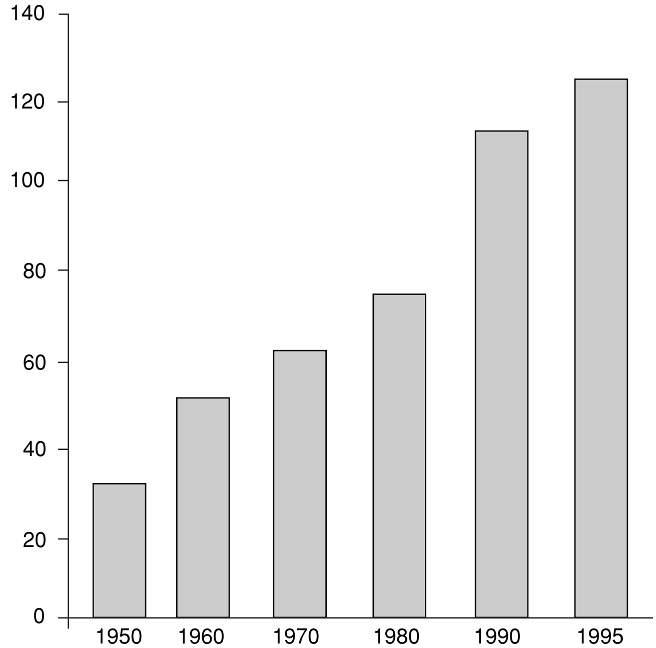
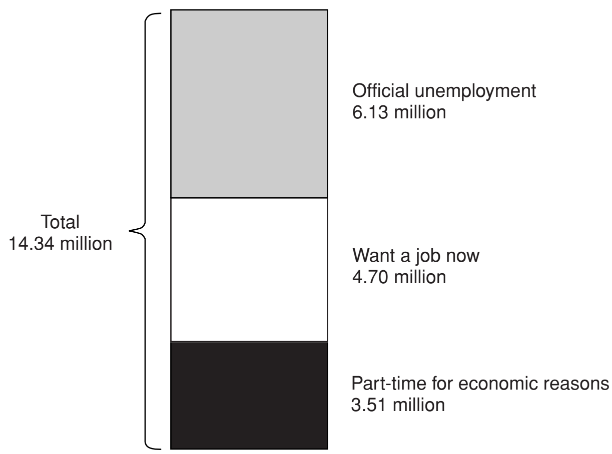



FIGURE 24
**Real unemployment, March 1999**




Source: Bureau of Labor Statistics, U.S. Department of Labor.

them. We tried to eliminate the monetary factor by saying, "How many paychecks would you need to pay the debt?"

Look at the difference. In 1960, you needed 25 paychecks, but now you need more than 120. Similarly, the cost of buying a house went from 400 paychecks in 1960 to more than 840 today. Which means that, for a house, the same paycheck buys *less than half of what it used to*. You heard that your living standard is going up? Your paycheck is buying less. That's what's happening with people's living standards.

**Figure 24** shows unemployment. Officially, unemployment is at the "lowest level"—gee, since the invention of time. And you can't beat that, can you? But there's a little bit of a problem.

Official unemployment is now 6.13 million. However, there are various ways of getting rid of people you don't like—we've encountered it as a political movement. And, there are ways of doing it when you're a statistician as well, working for the Department of Labor.

There's a category called "Want a Job Now," and an included sub-set, "Too Discouraged to Look for Work." This is the way it works: Let's say you used to work for General Motors, in Flint, Michigan. GM has been shutting down plants and moving those jobs to *maquiladoras* in Mexico, which pay one-eighteenth the Flint wage. But there's nothing else for you to do. So, some person from the Department of Labor goes out to your house after you've been unemployed for four weeks, and says, "Have you found a job?" "No." "Have you actively looked for a job?" "Well, I'm waiting to get called back." "But have you gone to McDonald's?" "Well, not really. I used to earn $19 an hour. I don't want to work for $5 an hour."

The Department of Labor employee writes, "Too Dis-

TABLE 1

### Americans without health insurance, 1987-97

| | Americans without insurance (millions) | Percent of total population |
|---|---|---|
| 1987 | 31.026 | 12.9 |
| 1990 | 34.719 | 13.9 |
| 1993 | 39.713 | 15.3 |
| 1995 | 40.582 | 15.4 |
| 1996 | 41.716 | 15.6 |
| 1997 | 43.448 | 16.1 |

Source: U.S. Deptartment of Commerce, Bureau of the Census

TABLE 2

### Official poverty in the United States, 1975-97

| | Population (millions) | Number in poverty (millions) | Percent of total population |
|---|---|---|---|
| 1975 | 210.9 | 25.9 | 12.3 |
| 1980 | 225.0 | 29.3 | 13.0 |
| 1985 | 236.6 | 33.1 | 14.0 |
| 1990 | 248.6 | 33.6 | 13.5 |
| 1995 | 263.7 | 36.4 | 13.8 |
| 1997 | 267.5 | 35.8 | 13.3 |

Source: U.S. Department of Commerce, Bureau of the Census

couraged to Look for Work." Now, here's the secret: "Too Discouraged to Look for Work" is classified in the category "Not in the Labor Force." It's outside the labor force. You can't be unemployed, because to be unemployed, you have to be *in* the labor force. So, they've created a category, "Outside the Labor Force," put you into that, and you're no longer "unemployed." Very nifty.

The third part of Figure 24 is part-time for economic reasons, for people who want to work but can't find jobs that are full time. The three categories combined are 14.34 million people. That is an unemployment rate of almost 10%, which is more than twice the official unemployment rate. That's the unemployment picture in the United States.

What is happening to this country is the following: For example, you see people driving BMWs and so forth, and it unfortunately influences people, far too many who should know better, to think, "That's how America lives." They don't. *There is growing poverty in the United States, and the lower one-third of this country is in absolutely desperate straits, even with two to three to four jobs.*

I will show you a couple of those parameters—but it is never going to be a single statistic. You have to conceptualize the process to see where something can lead very quickly. Take Russia, which is undergoing negative population growth. A few months ago, Helga Zepp-LaRouche said we're equally distant from success and failure. That holds in economic processes as well. When you fall, you don't fall by some incremental little ratchet-down. You fall by a huge amount, like you saw with tuberculosis in Russia, or with the death rate. There's not some prescribed area which limits how much you fall. *You plummet. That's what takes over.* That's the lawfulness of the universe.

**Table 1** shows that the percentage of Americans who do not have health insurance has increased from 12.9% to 16.1%. But in some states, *30% of the children have no health insurance*. And one of the worst states is Texas, of Gov. George W. Bush, the person who would be President—by saying nothing on anything of importance, and hoping that his connections with his father will get him in.

But the point is, you have children who are not covered by medical assistance. That is extremely important when you combine it with the policies of the health maintenance organizations (HMOs).

**Table 2** shows the poverty level. Officially, there are more than 30 million people living in poverty in this country. However, the way that they calculate poverty is a fraud. If you set your level low enough, you can have a low number of people in poverty. But that doesn't measure it.

Because, the government says—and they have a sliding scale—that for a family of four, if you're earning $16,400 a year, that's poverty. And how they get that, is they have something called a "Thrifty Food Plan." It provides two slices of bread, two slices of cheese, a drink, and an apple. They multiply that for three meals a day, and then multiply it by the number of people in the family, and then they adjust it for overhead, including housing and living expenses. And, working upwards from the Thrifty Food Plan, they develop the "poverty level."

*No four-person family can live on $16,400.* It may sound like a lot to people who are from other countries, but you will not get through half of the year on $16,400. It's not a level that really measures poverty.

**Table 3** shows 150% of the poverty level, which comes closer to real poverty in the United States, where a family of four would be living on $24,000 a year. Before taxes, a

TABLE 3

### Real poverty in the United States: 150% of official poverty level

| | Population (millions) | Number in poverty (millions) | Percent of total population |
|---|---|---|---|
| 1975 | 210.9 | 49.1 | 23.7 |
| 1980 | 225.0 | 52.0 | 23.1 |
| 1985 | 236.6 | 57.0 | 23.9 |
| 1990 | 248.6 | 56.7 | 22.7 |
| 1995 | 263.7 | 64.1 | 24.3 |
| 1997 | 267.5 | 60.3 | 22.5 |

Source: U.S. Department of Commerce, Bureau of the Census family of four needs $55-60,000 a year for a decent standard of living. You can cost it out, because wages are not something that the market determines à la Adam Smith. You have objective standards, i.e., if you want to raise productive children who have minds, who are going to make contributions to your economy. And when you begin from that standard, and not from the market, you can then start figuring out what the wage has to be. And in America, it's about $55-60,000.

So, $24,000 is not even half of what is really needed. But now you see, that *more than 60 million Americans are below this poverty level*. So, we're looking at one-quarter of the American population in poverty. That's reality in America; it's not the people stepping in and out of the Cadillac in the commercial.

**Table 4** is extreme poverty in America, those living below 50% of the official poverty level. What happens if you cut the $16,400 in half? That is *below starvation*. And that rate has actually increased year by year. It's now 5.4%. That may sound small, but that is 1 out of 20 Americans living at a level where they can't even exist—in the middle of a "boom"?

Now, let us just look at a couple of things that are indications of what Mr. LaRouche said at the beginning—that we would see a greater death rate because of Greenspan's policies than from major diseases (**Figure 25**).

Let me give you one example. As a result of the *maquiladoras* in Mexico, across the border in Texas they have *colonias,* or semi-plantation-type settings. And in one of them outside of El Paso, which is right across the border from one of the biggest *maquiladora* centers in Mexico, there are 75,000 people, mostly from Mexico, who live there. A study by the *American Journal of Public Health* in 1997 found that almost 25% of schoolchildren in one El Paso *colonia* had hepatitis A. *One out of four*.

In Harlem, New York, the tuberculosis incidence rate had fallen down to 80 per 100,000; it's now up to 182, which is half of what it was in the 1950s, when TB was considered rampant.

TABLE 4

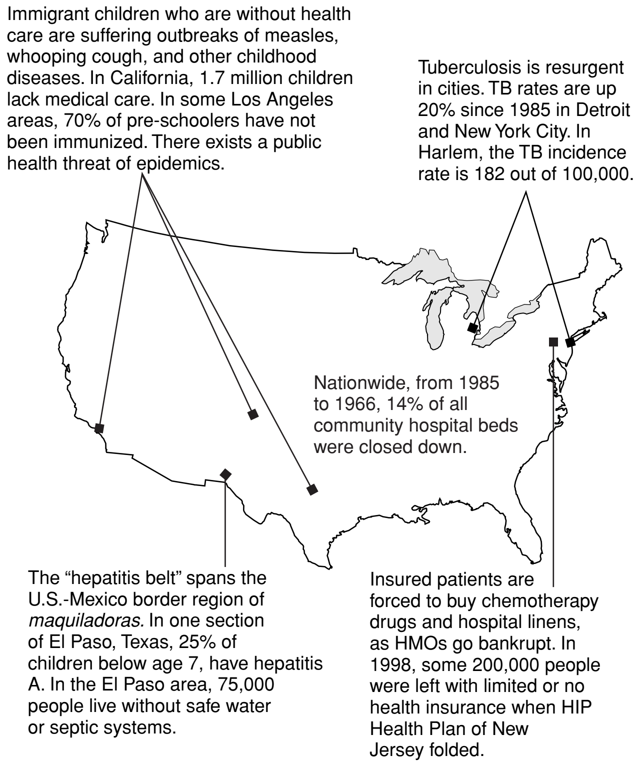
**Extreme poverty: Americans living below 50% of official poverty line**

| | Number in poverty (millions) | Percent of total population |
|---|---|---|
| 1975 | 7.47 | 3.5 |
| 1980 | 9.80 | 4.4 |
| 1985 | 12.38 | 5.2 |
| 1990 | 12.91 | 5.2 |
| 1995 | 13.89 | 5.3 |
| 1997 | 14.59 | 5.4 |

Source: U.S. Department of Commerce, Bureau of the Census

FIGURE 25

**U.S. economic breakdown creates public health threats—selected examples, 1999**




In New Jersey, there's a health insurance plan called HIP. The HMOs are very predatory. They move in, they take the premiums up front, and then after the first five or six years, the HMOs lay off people—nurses, doctors—until they can't cut any more. The HMOs forced HIP to go bankrupt. As a result, one of the doctors in New Jersey, and this was just reported in *Money* magazine, now has his patients buying drugs for chemotherapy. *They can't get it through the HMO. They're going to the store to buy the drugs themselves*. It sounds like Afghanistan, but this is in the United States.

Between 1985 and 1996, some 14% of hospital beds have been eliminated.

So, conceptualize: disease vectors, lowered living standards, loss of jobs—like in El Paso, that's an area where some of the jobs were lost to the oil shutdown, and so forth. And the key thing about what Mr. LaRouche is saying is not that you have a precise date, but that if the policy continues, that will happen.

And, I think we have the leadership in this room and elsewhere, to bring us back from the brink.