If We're So Rich, Why Are We So Poor?

by Michele Steinberg

The worst candidates of the postwar era, George W. Bush and Albert Gore, Jr., are campaigning on the myth of "prosperity." Each is trying to claim credit for the "economic boom," for example, by saying that *he* (or at least, his political allies) gave us Federal Reserve Chairman Alan Greenspan. That's Greenspan, the "wizard" who architected the greatest U.S. current account deficit, the greatest trade deficit, the greatest inflation of the stock market, and the greatest mountain of U.S. household debt in history. Beneath the "new economy," the foundations of the American economy are rotten, as the following snapshots of real conditions show.

In September, the U.S. Department of Agriculture reported that nearly 3 million families—about 2.8% of the nation's households—had at least one member who went hungry in 1999. There were 27 million people, including nearly 11 million children, who were hungry, or at least food-insecure. Low-income workers, especially African-Americans and Hispanics in the Southwest, are the hardest hit, especially since 1996, when Gore's "welfare reform" kicked the poor off assistance and food stamps.

In the Northwest, families are already facing double-digit inflation in electricity bills, with heating oil and natural gas increases coming also. In Washington state, natural gas costs are going up by an average of 27.5% this October; in Oregon, natural gas will increase by 22%. Electricity rates in Seattle are being increased by 8.9%, and home heating oil costs are expected to be at least 20% higher than last year. And this energy hyperinflation is a national pattern.

State Budgets in Crisis

What about the report of "lowest unemployment ever"? For the fiscal year ending June 30, 2000, elected officials in Mississippi faced a paradox: Unemployment was 4%, about the lowest in history, yet the state had a 4.25% ($44.6 million) shortfall in expected revenues from its state income tax. The shortfall for the first six months of 2000 was $97 million.

Why? Mississippi's low unemployment rate was due almost entirely to the fact that it has the second-largest "gambling industry" in the nation, next to Nevada, employing 35,000 people at 31 "floating" casinos located on Mississippi River and Gulf of Mexico coastal sites. But instead of producing a tax revenue base, because the majority of these jobs pay roughly minimum wage ($5.75 per hour), workers are not earning enough to pay state income tax.

In a discussion with the *New Federalist* newspaper on Aug. 8, Mississippi State Rep. Erik Fleming compared the situation in Mississippi, though on a smaller scale, to that of Silicon Valley, California, where the "Internet economy" has driven housing costs out of the reach of even $50,000-per-year engineers. "You develop this area, and you're paying these people $6 an hour, but then you charge a two-bedroom apartment for $600. Property values are going up . . . but those people that are coming down here . . . can't afford the houses," he said.

Casino owners won't allow Mississippi to develop even the semi-skilled industry required to supply those casinos. "If you had industries develop where they were making . . . whatever a casino would need, . . . there would be that trade-off. Those companies that make slot machines are like companies that make cars. They're slightly high-tech, but they're definitely manufacturing jobs, which pay, on an average, higher than the service industry does," Fleming said.

Fleming pointed to an additional problem: Most of the prime casino sites on the river and the Gulf are taken. So, the gaming interests are pushing for inland casinos, in addition to one on the Choctaw Indian Reservation. "That's something that we're going to have to fight here," Fleming stated. "That would mean that there will be a major move to put a casino here in Jackson. But I would rather spend $100 million to re-do the Pearl River, and turn it into two lakes that will improve the flood control in the city, and open up about 50,000 acres of land for development. . . . I'd rather spend the money that way than trying to lure casinos in." Not to mention, he added, "the money we have to spend to solve the problems that it [gambling] also generates."

Gore's state of Tennessee also faces budget deficits as a result of industrial jobs being replaced with low-wage service-sector jobs. This year, when the Legislature faced a $500 million deficit and was preparing to lay off up to 1,500 state employees, primarily teachers, it "balanced" the budget—by increasing the projected sales tax revenue for next year.

Michael Warmsley, aide to Tennessee State Sen. John Ford, explained to *New Federalist:* "They came up with a bandaid budget. It's not real, but they made it real." If the income is less than projected, the Legislature will go to the "rainy day fund."

EIR Founder Lyndon LaRouche has warned that hyperinflation, of the sort that flattened Germany's Weimar Republic in 1923, is already under way. As a result, the crisis will shut down schools, medical services, and cause mass layoffs, and it will happen as soon as *this year*. Washington, D.C. is in the process of shutting down its only public hospital, D.C. General. Pennsylvania Gov. Tom Ridge (R) is pushing to privatize schools to cut costs. In New York State, officials did not deploy for mosquito-control in 2000, despite the fact that the mosquito-borne West Nile virus was *known* to have killed seven people in 1999. The reason for these insane policies is simple: The U.S. "economic boom" is phony.