Iowa: A Case Study of U.S. Economic Decline

by Marcia Merry Baker

On Aug. 29, the U.S. Commerce Department announced that the national economy grew by only 0.2% in the second quarter of this year—in effect, no growth at all. Those who know how the government cooks the books, know that the statistic itself is a fraud; the U.S. national economy is in decline. Apart from understanding the trickery of official national statistics (exposed in "Production Breakdown Puts Financial System on the Edge," *EIR,* June 29, 2001), the decline can be seen clearly by looking at any specific locality or state anywhere in the country. For example, in Iowa, the geographic heart of the North American farm belt, one of leading world's leading agriculture centers is now heading into severe crisis.

To begin with, Iowa economic activity, and local tax revenues tied to that, are declining at a rate causing severe government budget crises. The current budget was based on a projected revenue growth this fiscal year (beginning July 1) of 4.5%; but as of mid-August, state revenues were down 1.2% from last year. On Aug. 20, Senate Majority Leader Stewart Iverson (R-Dows) announced that meetings would begin soon with legislative committee chairmen, to draw up lists of state programs to cut, before the January session convenes. Trying to keep it low key, Iverson said, "It's very slow right now."

The state fiscal year ending June 30, saw more than 900 job cuts in state staff. Moreover, the state borrowed $40 million last fiscal year, against the anticipated tobacco windfall settlement, and must repay that this year along with $80 million more in other commitments. There is no money in sight to cover any of this.

Iowa is one of the top states in output of corn, soybeans, and hogs. However, it is also home to other enterprises, from publishing, insurance, and higher education to manufacturing. The fact that farm commodity prices are at historically low levels—below the cost of production—and that sweeping jobs cuts are being implemented, creates a special crisis dynamic for a farm state. Over the past 25 years, most family farm operations have come to rely on *off-farm jobs* for income to make up for losses. The U.S. Agriculture Department reported in its *Agricultural Outlook,* June-July 2001, that, "in the majority of farm households (62%), the farm operator's primary occupation is something other than farming."

Now, waves of job cuts are being announced in the state, in line with the national mass layoffs. With only 3 million people in Iowa, this means that, directly or indirectly, both rural communities and towns are hit very hard, very fast.

John Deere, Others Make Big Cuts

In August, Deere & Co. (headquartered in Moline, Illinois) announced major losses and job cuts of at least 2,000, and the intention to shut down two plants. Based in Quad Cities, Iowa, the company is the world's largest farm machinery manufacturer, accounting for close to 44% of the world market.

Also in August, hundreds of other job losses were announced throughout the state, many directly because of inflated energy bills imposed through the new deregulated energy "merchant" companies.

- Ferro-Sil, in Keokuk, laid off 105 workers on Aug. 16 at 10:30 a.m., after Alliant Energy shut off its electricity, because the company has not paid its $1.2 million electricity bill. A few days earlier, workers picketed Alliant's Keokuk office to protest its refusal to make a payment plan. An Alliant spokesmen defended the abrupt cutoff with the crass explanation that it is "a fundamental issue of fairness" to other customers. Ferro-Sil dates back to 1916, and makes the alloy, ferrosilicon.
- Tama Beefpacking, Inc. and a sister plant in Wisconsin have suspended operations with no explanation, leaving 200 out of work in Tama, and bad checks out to livestock suppliers. The bank has frozen the company's assets as of Aug. 20.
- Burlington Northern announced layoffs of 21 workers in Burlington, on Aug. 21.
- Cedarapids Inc., a road-building equipment maker (part of Terex), announced on Aug. 16 that it will soon cut down its workforce of 450, because of the high cost of fuel, and the economic slowdown.
- Amtrak announced on Aug. 16 that it is halting work on its proposed new Des Moines-to-Chicago route, a project in the works for several years.

Charities serving Iowans are turning away hundreds in need of food and utility-bill aid, because of revenue cuts and much bigger demand for help. Fifteen percent of Iowans are 65 and older, and most of these people are on fixed incomes. The "merchant" utilities, Mid-America Energy (owned by Warren Buffett) and Alliant, are proceeding with power cutoffs.

The Salvation Army helped 67 families in June who could not pay their gas or electric bill, but had to turn away 500 people! The Salvation Army has cut its own part-time workers' hours and asked full-time staff to work overtime without pay, in order to stretch its falling revenues. The Iowa Salvation Army's income is $30,000 below budget this year. Proteus, an aid agency helping Spanish-speaking families, helped three times as many families with heating bills this year as last, but turned away 221 families. St. Vincent De Paul Catholic charity in Des Moines cannot meet aid appeals. Director Laurie Zeller said, "A lot of people will go into this Winter, crippled by last Winter."

Local school districts are facing impossible bills for heating and gasoline for bus routes.